

# DAILY REPORT

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*China*

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JOURNAL ANALYZES INDIAN-U.S. RELATIONS

HK240630 Beijing GUOJI WENTI YANJIU in Chinese No 1, 13 Jan 87 pp 28-32

[Article by Zhu Rong (2612 2827): "Analysis of Indian-U.S. Relations"]

[Text] In the past 2 years Indian-U.S. relations have improved somewhat. Both sides need this and it is the result of each side separately taking the initiative. India deeply wishes to procure high technology and capital from the United States to realize its economic and military modernization and at the same time to serve as a hedge between the United States and the Soviet Union and thereby obtain real benefits. The United States hopes to widen the distance between India and the Soviet Union to weaken the Soviet position and thus to obtain gains on the political front. However, due to the limitations of such factors as the close Indian-Soviet relationship and the Indian-Pakistani relationship, its progress in this regard has been rather limited. The two countries' relations will continue to suffer from the effects of developments in the confrontation between the United States and the Soviet Union in southern Asia and the Indian-Pakistani confrontation.

## I.

In the nearly 40 years since her independence India's relationship with the United States has been rather unstable. The two countries distrust each other. Their relations have fluctuated greatly from sometimes being warm to sometimes being cold and estranged, even to the extent of confrontation. In India's early period of independence, Nehru carried out a policy of peace, neutrality, and nonalignment, often times criticized the United States, and was in headlong conflict with Dulles' cold war policy and military alliance. Dulles condemned India's neutrality as immoral and chose Pakistan, India's enemy, as an ally in the region. On the Kashmir question, India believed that the United States was on Pakistan's side. Hence, on subsequent issues such as the Korean War, China's recovery of its legitimate rights in the United Nations, and the Indonesian problem, both the United States and India took a stance that was antagonistic to each other. In 1954 a U.S.-Pakistani military alliance was formally concluded, according to which the United States supplied arms and ammunitions to Pakistan. This drove Indian-U.S. relations to their lowest point. But in 1956, following Nehru's visit to the United States and Eisenhower's 1959 visit to India, relations between the two countries improved considerably. In 1962, in the border skirmishes between India and China, the United States gave India emergency military aid. This helped to further improve relations between the two countries. But in 1963 two incidents, the United States entry into the Vietnam war and its refusal to give India aid in building the Bhopal steel plant again caused a setback in the two countries' relations. After the Indian-Pakistani war in 1965 the United States' halt in military arms aid to both India and Pakistan and its reduction of other aid to the two countries again caused Indian dissatisfaction. In 1971 the United States felt deeply dissatisfied with India's conclusion of a friendship treaty with the Soviet Union, which was in the nature of a military alliance and practically caused Pakistan's disintegration. As a result, the two countries' relations dropped again to a new low, although both parties still reserved some ground, and relations were cold but uninterrupted. In 1974 Kissinger visited India. The United States cancelled a total of about \$2 billion in debts that India owed to the United States. But in February 1975 the United States resumed its military aid to Pakistan, to which India reacted most strongly. In June of the same year I. Gandhi announced that the country was in a state of emergency. This drew violent criticism from public opinion in the United States and the two countries' relations fell again. In 1977 the Indian People's Party ascended to power; leaders of the two countries began visiting each other's countries. [paragraph continues]

The United States recognized India as the "leading state" in southern Asia and resumed economic aid and a supply of enriched uranium. As a result the two countries' relations improved noticeably. In January 1980, I. Gandhi again headed the Indian Government and many times indicated a desire to improve relations with the United States. Economically India had much to ask for from the United States: For its part, the United States, following the Soviet invasion of Afghanistan and in order to strengthen its own position in the confrontation with the Soviet Union in southern Asia, was also anxious to seek India's goodwill. In 1982 India and the United States reached an agreement on the longstanding and controversial question of nuclear fuel supply. This helped the two countries' relations take a turn for the better but, regarding U.S. military aid to Pakistan, India still took a highly critical attitude.

At the end of 1984, following Rajiv Gandhi's appointment as prime minister, both countries took rapid steps to better their relations. In this connection progress was made both on the political front and in economics and technology. India somewhat eased its critical attitude toward the United States while the latter stepped up its work in courting India's favor, reiterating its respect for India's nonaligned policy. Reagan observed that between the two countries their "unanimity far surpassed their differences."

In June 1985, Rajiv Gandhi visited the United States. He accomplished certain definite results in his search for U.S. aid. Both countries agreed to extend their agreement on scientific and technological cooperation. The United States agreed to sell India advanced military equipment and weapons. Prior to this, in May 1985, the two countries had already signed a "memorandum on mutual understanding," following which the United States greatly accelerated its exports of high-grade technology to India. After repeated negotiations and India's acceptance of the conditions to provide safety protection and undertake not to leak the secrets of the technology to a third nation, the United States undertook to sell India a super-class computer worth \$1.5 billion which could also be used in the planning of nuclear weapons. This was the first time that the United States had agreed to sell such technology to a country outside its Western European allies. In February 1986 a computer data company in the United States signed an agreement with India on the sale of computers. In June 1986 alone, 33 new projects were granted. As a whole, the two governments have between them some 259 cooperation projects in science and technology. In the past 18 months India has signed cooperative agreements with U.S. companies valued at \$2 billion. The atmosphere of trade between the two countries has also significantly improved. The trade volume increased substantially from \$1.8 billion in 1975 to \$4.2 billion in 1985. In 1985 India's trade with the United States showed a favorable balance of \$1 billion. The value of commodities which the United States specially granted for export to India has risen from \$500 million before the signing of the "mutual understanding agreement" to \$1.2 billion at present. Cooperation between enterprises of the two countries has also relatively expanded. The United States occupies first place among the enterprises jointly-run by India and foreign countries. At present there are 832 Indian-U.S. jointly-run enterprises, of which over half were set up in the past 2 years. The aid-India financial syndicate made known in June 1986 its intention to provide India with some \$4 billion worth of aid. Moreover, the two sides have actively renewed discussions on the establishment of an "Indian-U.S. fund" to be taken out from the residual balance in rupees, equivalent to \$101 million, of the grain aid to India under Public Law No 480 of the U.S. Government. In this connection, in September 1986 an unofficial Indian-U.S. committee was formed with Kissinger and the Indian Ambassador to the United States B.V. Nehru as cochairmen, to strengthen civilian relations between the two countries.

Since Rajiv Gandhi assumed office India has shown an increased interest in U.S. military technology. At present, it is possible that Indian-U.S. military cooperation can be substantially improved. Aside from obtaining a set of super-class computers, India has been granted permission to purchase a set of advanced jet engines for installment in light fighter planes which it is producing in large quantities and thus to rectify the situation of sole reliance on Soviet-made MiG planes. Indian officials have presented the United States a shopping list of top-notch weapons and equipment it needs and several large U.S. arms manufacturing companies have sent delegations to India to conduct sales negotiations. The U.S. Defense Department supports increased U.S.-Indian cooperation in military technology and indicated that "defense talks" had already begun with the Indian military organizations. In October 1986 the United States for the first time dispatched Defense Secretary Weinberger to visit India. Both sides held major discussions on the problems of technology transfer. Weinberger indicated that the United States would agree to initiate a joint arms production system with India and further confirmed the U.S. decision to sell India a super-class computer. Since the 1965 Indian-Pakistani war the United States has stopped arms sales to India. The current negotiations to sell advanced military technology to India is the first of its kind in 20 years.

## II.

To the United States, South Asia has all along been regarded as an unimportant region. It has taken into account the concrete conditions in South Asia, sometimes lessening its presence there and at other times increasing its presence. Only when the United States believes that its global strategy and interests are concerned and that its security is directly affected will it place southern Asia in a position of priority consideration. This was principally manifested in the middle and final periods of the 1950's when the United States and Pakistan concluded a bilateral treaty and took part in multilateral military alliances, and also in the 1962 Indochinese border conflict and at the time of the 1971 Indian-Pakistani war. At the end of 1979 the Soviet Union invaded Afghanistan. This greatly enhanced the importance of South Asia. Because of this the United States has adopted a more attentive and watchful policy over the region.

U.S. public opinion and academic and technological circles have all along harbored different views regarding policy toward India. One group of people believes that for a long time the U.S. Government has lacked an integrated policy which can enable it to improve relations with India, that the current situation in southern Asia makes it increasingly urgent for the United States to formulate a new policy toward India, and that currently the time is ripe to do much work in this connection. Some people have objected to the large amount of aid given to Pakistan. In their opinion, in comparing the relative importance of the two countries, India and Pakistan, more aid should be given to India and not to Pakistan and the "Indian card" should be played instead. They believe that in the long run India is much more important than Pakistan and that to determine the policy in accordance with short-term needs the importance of India may be underestimated. Another group of people believe that Pakistan is the U.S. ally in South Asia and that India cannot conform to U.S. interests in containing Soviet global strategy. For example, on many international problems India has sided with the Soviet Union. Militarily, India has principally depended on the Soviet Union for arms imports. Economically, in the past it has rejected investment offers from many U.S. companies. All this has deterred from close cooperation between the two countries.

The present measure adopted by the United States is a balancing act. Attention is simultaneously given to both India and Pakistan. [paragraph continues]



On the one hand a lot of aid is given to Pakistan to counter the Soviet threat since Afghanistan's subjugation, while on the other hand India's important position in southern Asia and potential strength have been duly recognized and due efforts are being made to court favors. In an attempt to improve relations with India the Reagan administration seems to have been inspired by the following causes:

1. Since R. Gandhi became prime minister, although India has adopted a policy of strengthening relations with the Soviet Union and the basic confrontation with the United States still exists, it has already suitably and slightly widened its distance from the Soviet Union while at the same time readjusting its relations with the United States. For a time India tentatively eased its tense relations with Pakistan and also improved the atmosphere with other neighboring countries. Moreover, Rajiv Gandhi's moderate temperament and stature is greatly different from that of his mother. All this has encouraged the United States to believe that such overtures in India's external relations are helpful in weakening the Soviet strategic position in southern Asia and are in harmony with U.S. interests. In addition, under the conditions of improved Indochinese relations, both India and the United States need and want to improve their relations with each other.

2. The United States, through selling technology to India, wants the latter to lessen its dependence on the Soviet Union. Through better relations with India it can gradually keep India from being too inclined toward the Soviet Union. The United States also hopes that in due time, on certain international problems, India will take a more conciliatory attitude toward the United States.

3. India's current open economic policy has created opportunities for U.S. investors and will help them to obtain a foothold in the Indian market.

4. The United States believes that by the end of this century India can become a strong military power capable of playing an important role in southern Asia. The supply of advanced technology in the form of arms and weapons to India will enhance Indian-U.S. cooperation, provide a market for the U.S. arms industry, and lessen India's criticism of U.S. military aid to Pakistan. Under the conditions of India continuing to extend its naval power, an improvement in relations with India will be beneficial to the U.S. status in the Indian Ocean.

### III.

India also has certain demands in bettering Indian-U.S. relations, principally due to the following reasons:

1. Through an improvement in relations with the United States and through effecting a certain balance vis-a-vis the United States and the Soviet Union, India will widen the ground for its own activities and thereby compel the Soviet Union to give it more aid and support. By doing so India can obtain real benefits from tense East-West relations. Moreover, the slight readjustment in its relations with the Soviet Union and the United States helps to augment its nonaligned stature and enhances its international status.

2. For the sake of accelerating the realization of economic modernization, India urgently needs funds and advanced technology from the United States. It also needs to develop foreign trade relations with the United States. India's trade imbalance with Western countries has been steadily worsening. Imports from the West have currently amounted to 12 percent of India's gross national product, whereas India's exports have amounted to only 6 percent. [paragraph continues]

Hence, India must first raise the competitive power of its products on the international market before there is any hope for reducing the unfavorable trade balance. But India's domestic economy is facing difficulties. The sources of funds for implementing its Seventh 5-Year Plan (1985-1989) are still inadequate. Multilateral aid is urgently needed by its various enterprises. This includes domestic loans at low interest rates. For the present, the loans, including commercial loans, obtained by the Indian Government are far from being sufficient to relieve its stringent financial and economic conditions. In the past India received a lot of economic benefits from the United States. During the period from 1951 to 1979, the U.S. aid extended to India amounted to a total of 11.31 billion, accounting for 25 percent of India's total aid from foreign countries. The amount included 5.8 billion worth of grain and other agricultural products. India's "green revolution" and increased grain output have been closely related to U.S. cooperation. India hopes that improved relations with the United States will make international aid organizations provide it with more and greater economic assistance.

3. In recent years India has increased the modernization of its Armed Forces. In the fiscal year commencing April 1986 its military expenditures amounted to 87.28 billion rupees (equivalent to about \$7.1 billion), 16.8 percent of total budgetary expenditures and an increase of 11 percent over the preceding year. The country is continuing its research on nuclear weapons and the development of conventional weapons. Simultaneously, while relying principally on Soviet arms, India has also been importing advanced weapons from Western countries and carrying out the policy of obtaining "weapons from diversified sources." It hopes to obtain high-grade U.S. military technology and equipment not available from other countries and at the same time to make use of the U.S. influence to curb Pakistan's capacity to make nuclear weapons and engage in arms construction, and also to widen the distance between the United States and Pakistan.

#### IV.

Although no really serious controversies exist between India and the United States and there is ground for improvement in their mutual relations, over many years certain unresolvable differences have appeared. These are mainly manifested as follows:

1. U.S. military aid to Pakistan has been the main stumbling block in Indian-U.S. relations. Since the 1971 Indian-Pakistani war the United States has continued its military aid to Pakistan and this has become the principal cause of friction between the two countries. Since the Soviet Union's invasion of Afghanistan the United States has increased its military aid to Pakistan and has obtained a channel for sending supplies to the Afghan guerrillas. Despite the fact that India has obtained large quantities of advanced weapons from the Soviet Union, that currently its strength has far surpassed that of Pakistan, and that the latter cannot pose a military threat to India, India still considers that U.S. aid to Pakistan in the form of weapons and equipment exceeds Pakistan's needs and constitutes a violation of the principle of regional equilibrium. It has repeatedly objected to the U.S. sale to Pakistan of 40 F-16 fighter planes and the \$3.2 billion worth of blanket U.S. military-economic aid given to Pakistan during the 1981 to 1986 period. Furthermore, it has asked the United States to restrain Pakistan from researching and manufacturing nuclear weapons.

2. At the end of 1979, following the Soviet Union's invasion of Afghanistan, India and the United States had serious differences regarding this problem. The United States thought India was siding with the Soviet Union in this matter, whereas India thought the United States was overreacting toward the Soviet Union. [paragraph continues]

Naturally India also felt somewhat uneasy over the Soviet invasion of Afghanistan, fearing that this Soviet move might affect India's interests in southern Asia. Hence, it advocated that foreign armies should be evacuated from Afghanistan. Nonetheless, India's basic stand has been an inclination toward the Soviet Union. In addition, certain Indians believe that the United States poses a greater threat to India's security than the Soviet Union. Hence, in talking about the withdrawal of foreign armed forces from Afghanistan, India pointed out in the same breath that other powers (referring to the United States) had likewise played a hand in this region, meaning the inclusion of the Indian Ocean, and contributed to the increasing tension in this area.

3. In the controversy over the nuclear problem, particularly with regard to nuclear nonproliferation, the two countries again hold different views. In the United States the 1967 Congressional Act on the Nuclear Nonproliferation Treaty urged the U.S. President to halt all nuclear aid to those countries which reject the overall security protection of these nuclear measures. India refused to sign the Nuclear Nonproliferation Treaty and rejected the safety protection accorded by the International Atomic Energy Agency. It believed that the treaty discriminated against non-nuclear countries and benefitted the superpower which possessed nuclear arms. India further believed that in overlooking Pakistan's efforts to make nuclear weapons, the United States was violating the provisions of the Nuclear Nonproliferation Treaty. For its part, the United States criticized India's 1974 explosion of a nuclear device, but India firmly insisted that the explosion was wholly for peaceful purposes. In addition, since the 1960's the dispute between the two countries on the supply of uranium to India's Talpaur [1044 2139 2528 1422] nuclear power station has continued. Following fluctuations in relations between the two countries, the United States sometimes suspended and sometimes resumed the supply of enriched uranium to India. When the United States suspended the supply, India would immediately attack it for having violated the 1963 agreement. This has remained off and on a passive factor in relations between the two countries, rendering them more complex and complicated. By the end of the 1970's the two countries' differences on the nuclear problem continued to lead to a deterioration in their relations.

4. In 1985 R. Gandhi visited the United States. In his talks with Reagan he expressed his disapproval of the U.S. "Star Wars" plan. In his address to the U.S. Congressional session of the Senate and the House of Representatives, he indicated his "reservations on the militarization of outer space." In 1986 during his visit to Thailand he again criticized this. Quite clearly there are great differences between the two countries on this problem. The declaration of the six countries summit conference in Delhi in 1985 in which India was a participant strenuously called for banning the development, testing, production, and deployment of space weapons and carrying out an arms race in space. This was mainly directed at the United States.

5. On the problem of the Indian Ocean, the two countries have different views, which in turn have unfavorably affected their relations. India is the principal nation along the coast of the Indian Ocean. It strongly advocates that the ocean be non-militarized and opposes the U.S. military presence there. At the 27th UN General Assembly it was one of the nations who sponsored the establishment of the Indian Ocean Peace Zone and opposed the establishment by any foreign country of a military base there. At the end of the 1960's and the beginning of the 1970's, following the continued appearance of U.S. naval vessels in the Indian Ocean, particularly during the Indian-Pakistani war, when the United States dispatched the aircraft carrier "Enterprise" to the Bay of Bengal, which posed a threat to India, India considered the United States a threat to India's security. [paragraph continues]



During the last part of the 1970's, following the tension in the gulf area and the Afghanistan incident, the United States strengthened its military activities in the Indian Ocean and increased military construction of the island of Diego Garcia. India strongly objected to this.

6. There are even greater differences between the two countries on certain international problems. As a Third World nation, India has supported the various Third World organizations and activities such as the Nonaligned Movement, the Group of 77, UNCTAD, etc. But the United States has maintained a reserved attitude concerning them. On the problems in Southeast Asia, the Middle East and southern Africa, the two countries have opposing stands. In its capacity as chairman of the Nonaligned Movement, India rebuked the U.S. attack on Libya. On the Cambodian issue, India follows in the Soviet Union's steps. In July 1980, India recognized the Heng Samrin regime.

#### V.

Two major issues are currently affecting Indian-U.S. bilateral relations, namely: 1) The U.S.-Soviet confrontation in southern Asia; and 2) the Indian-Pakistani confrontation. Moreover, these two confrontations have frequently been woven together to curb the development of Indian-U.S. relations.

For a prolonged period of time the United States and the Soviet Union have been confronting each other in the southern Asian region, forming an antagonistic pattern with the Soviet Union and India on one side and the United States and Pakistan on the other. Looking at the southern Asian region, as long as Soviet armed forces do not withdraw from Afghanistan and the war there continues, then the United States will not reduce its support and aid to Pakistan. At the same time, if peace is not restored in southern Asia, and the United States and the Soviet Union continue their strife in the region, then the above state of confrontation will persist.

At present, the United States has agreed to provide India with advanced military weapons and technology, but India still entertains doubt as to whether the United States will be a reliable supplier of arms and at the same time avoids taking steps that are too fast and that can offend the Soviet Union, their principal arms supplier. (Currently 70 percent of India's arms are supplied by the Soviet Union.) India is concerned that the United States may ask for too great a political price for rendering aid. India asks for the right to jointly produce arms, but in reality the problem of paying the cost of joint production as well as the U.S. demand for security protection may still constitute a serious impediment to the military cooperation between the two countries. At present, the United States has sanctioned the sale of super computers to India but may attach certain safety protection conditions which India may not find acceptable. Due to the close relations now existing between India and the Soviet Union, the United States is also suspicious of India to a certain extent. At the same time, the U.S. supply of arms to India is not subject to the same good and favorable conditions as those from the Soviet Union. (Soviet supplies carry such conditions as low prices, low interest rates, payments in rupees and take the form of barter trade.) India also has foreign exchange difficulties in importing technology from the United States and faces many restrictions on increased exports there. As a result, the arms imported from the United States are mostly confined to limited categories and are usually in small quantities, mainly to serve as models for production.

Another factor is that the Indian-Pakistani confrontation has directly affected the Indian-U.S. relations. Since R. Gandhi became prime minister, as a result of both parties' initiatives, Indian-Pakistani relations have definitely improved to a certain extent. [paragraph continues]



In December 1985 both parties signed an agreement undertaking not to bomb each other's nuclear power plants, but subsequently relations between the two sides again wavered. India accused Pakistan of making nuclear weapons and providing refuge to Sikh terrorist elements from India's Punjab Province. These two problems became great impediments in the two countries' relations. Rajiv Gandhi accused Pakistan of mishandling the Pan American airline hijacking incident of 9 September 1986 in Karachi. This added unpleasantness to relations between the two countries. According to a PRESS TRUST OF INDIA report of 26 October, Pakistan recently purchased 80 U.S. fighter planes, in addition to an emergency warning system for installing in planes. Basically, the United States has further consented to grant to Pakistan \$4.02 billion in military and economic aid over the 6-year period from 1987 to 1993, of which \$1.75 billion is designated as military aid. When Weinberger visited Pakistan in October 1986, Pakistan already had a shopping list on hand. In addition, Pakistan hoped to procure 100 M-60 tanks. All along India has opposed U.S. economic and military aid to Pakistan. Now when the United States is furnishing such a vast amount of aid to Pakistan, further discord is bound to occur between India and Pakistan. In turn, it will cast a dark shadow over Indian-U.S. relations.

Summarizing the above, it must be said that Indian-U.S. relations have definitely taken a turn for the better more recently, and that it is entirely possible that further improvements can be made in the foreseeable future. However, the development of the two countries' relations will continue to suffer from the effects of the U.S.-Soviet strife in southern Asia and the Indian-Pakistani confrontation. It will be limited in character, have twists and turns, and it will be difficult to achieve any concrete or large-scale progress.

#### PRC INVITED TO ATTEND GROUP OF 77 MEETING

OW211916 Beijing; XINHUA in English 1907 GMT 21 Mar 87

[Text] San Jose, March 21 (XINHUA) — Latin American and Caribbean countries decided here Friday to invite China to participate as a "special guest" in the meeting of the Group of 77 to be held in Havana in April, Costa Rican Foreign Trade Minister Muni Figueres said Friday.

The decision was reached unanimously by 26 countries during the Latin American ministerial coordination meeting prior to the 7th United Nations Conference on Trade and Development (UNCTAD) scheduled for July in Geneva.

The proposal to invite China to the Havana meeting was presented by the Brazilian delegation to the meeting which ended Friday.

Earlier in the week in a regional meeting in preparation for the seventh UNCTAD meeting, African countries, after considering China's request to attend as an observer to the sixth ministerial meeting of the Group of 77 in Havana, decided to admit China as an observer in the forthcoming meeting.

FORMER U.S. LEADERS FORM AMERICA-CHINA SOCIETY

OW250326 Beijing XINHUA in English 0242 GMT 25 Mar 87

[Text] New York, March 24 (XINHUA) — The formation of a new organization to promote greater understanding and stronger ties between the United States and China, was announced today in New York.

The new America-China Society (ACS) is supported by all living former U.S. presidents and secretaries of state as well as a number of former national security advisers and prominent U.S. citizens.

Former Presidents Jimmy Carter, Gerald R. Ford and Richard M. Nixon serve as honorary chairmen of the organization, which is to be privately funded. Henry Kissinger, secretary of state in the Nixon and Ford administrations, is chairman of its board of directors. Cyrus Vance, as secretary of state under President Jimmy Carter, is co-chairman.

Vice chairmen of its board of directors are former Secretaries of State Alexander M. Haig Jr., Edmund S. Muskie, William P. Rogers and Dean Rusk and former National Security Advisers Zbigniew Brzezinski, McGeorge Bundy, Robert McFarlane and Brent Scowcroft.

In announcing the society's founding at a press conference held jointly by Kissinger and Cyrus Vance, Kissinger said the America-China Society will work to increase understanding between the United States and China, to advance bilateral ties, to promote America's national interest in strengthening cooperation, to enhance opportunities for U.S. enterprises in mutually beneficial investment and trade with China, and to cooperate with governmental and private organizations having comparable objectives.

Leaders on both sides of the Pacific hailed the birth of the new society.

U.S. President Ronald Reagan said in a congratulatory letter today the "bipartisan support for the society is testimony to the broad-based consensus and continuity our policy toward the People's Republic of China enjoys."

Reagan said that Secretary of State George Shultz had recently concluded "a productive visit" to China where "both sides furthered the positive development of our relations."

"The progress our two peoples have already made, however, is still only a beginning of an enduring, fruitful, and mutually beneficial relationship. As we continue down this path of friendship and cooperation, the America-China Society which you are launching will promote greater exchange and understanding," Reagan said.

Chinese Premier Zhao Ziyang wrote in a letter, which Chinese Ambassador to the U.S. Han Xu read out at the press conference: "Since the issuance of the Shanghai Communique, Sino-U.S. relations have gained a very remarkable development, an achievement inseparable from the unfailing efforts of a great number of persons devoted to Sino-U.S. friendship in the U.S."

Zhao said the establishment and development of friendly relations between China and the U.S. "is not only in conformity with the basic interests of the people of our two countries, but also conducive to peace and stability in Asia, the Pacific region and the world."

I. 26 Mar 87

B 2

PRC INTERNATIONAL AFFAIRS  
UNITED STATES

Messages from Presidents Carter, Ford and Nixon were presented by Kissinger and Vance at the conference.

The society also received congratulatory messages from leaders of the Chinese National People's Congress, the China-U.S. Friendship Association, the Chinese People's Institute of Foreign Affairs and the Chinese People's Association for Friendship with Foreign Countries.

The America-China Society's permanent office will be located in Washington, D.C. with Herbert Hansell as its president.

#### GU MU ATTENDS U.S. JOINT VENTURE RECEPTION

OW241706 Beijing XINHUA in English 1538 GMT 24 Mar 87

[Text] Beijing, March 24 (XINHUA) -- The opening of Nantong Cellulose Fibers Company Ltd., a Sino-American joint venture, was marked at a reception in the Great Hall of the People here today.

The company in Nantong City, Jiangsu Province, is China's first joint venture producing cigarette cellulose jow [as received] for making cigarette filters with, operated by the Jiangsu branch of the National Tobacco Corporation of China and the U.S. Celanese Fibers Operations.

The technology and major equipment will be imported from the United States and the project will go into operation before the end of 1988.

This will end China's import of cigarette cellulose jow, thus saving the country about five million U.S. dollars a year, said company officials.

State Councillor Gu Mu attended the reception and met the American and other foreign guests.

#### HUANG HUA MEETS SECURITY SYMPOSIUM DELEGATES

OW241224 Beijing XINHUA in English 1215 GMT 24 Mar 87

[Text] Beijing, March 24 (XINHUA) -- Huang Hua, vice-chairman of the National People's Congress Standing Committee, met here today with Dr. Eugene V. Rostow, Sterling professor of law at Yale University and former director of the U.S. Arms Control and Disarmament Agency, and other U.S. participants in a symposium on peace and security in Asia.

The symposium, held here from March 21 to 24, was jointly sponsored by the Beijing Institute for International Strategy Studies and the U.S. International Security Council.

PRC, USSR TO HOLD TALKS IN MOSCOW 11 APR

OW260426 Beijing XINHUA in English 0417 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- The 10th round of consultations between the special envoys of the Government of China and the Government of the Soviet Union will be held in Moscow beginning from April 11, a spokesman for the Foreign Ministry told XINHUA here today.

The two sides will continue the discussion on questions concerning the normalization of relations between the two countries, the spokesman said.

JAPANESE POWER STATION PROJECT BEGINS IN FUJIAN

OW200637 Fuzhou FUJIAN RIBAO in Chinese 10 Mar 87 p 1

[Excerpts] A ceremony marking the start of the civil construction of the Shuikou Hydroelectric Power Station, one of the state's key construction projects, was held on 9 March. Fujian Provincial Governor Hu Ping, vice minister in charge of the State Planning Commission, Gan Zhijian, and vice minister of water conservancy and electric power Lu Youmei cut the ribbon for the start of construction of the project.

Shuikou Hydroelectric Power Station is a large hydropower project in our country, using loans offered by the World Bank. The civil construction of this project has been contracted to the Hanada Complex after China called for tenders on an international basis. The installed capacity of this station will total 1.4 million kw, ranking first in east China. When it is completed, it will not only satisfy the needs of Fujian, but also shoulder the heavy task of making adjustments during peak hours in the east China region. With the State Council's approval, the State Planning Commission has formally ratified listing the Shuikou Hydroelectric Power Station in the Seventh 5-Year Plan as a key project to be constructed within a rational time limit. [passage omitted]

The ceremony for starting construction, presided over by Chen Tejie, vice general manager of the construction corporation for the project of the Shuikou Hydroelectric Power Station, began to a burst of firecrackers.

Hu Ping, Gan Zhijian, Lu Youmei, Cai Ninglin, Yuan Gai, Wang Yan, and other leading comrades of the State Council's relevant ministries and commissions in Fujian, and more than 500 cadres, masses, and workers were present at the ceremony.

On behalf of the provincial party committee and the provincial government, Cai Ninglin, member of the Standing Committee of the provincial party committee and vice governor of Fujian, spoke at the ceremony. [passage omitted]

Gan Zhijian and Lu Youmen, on behalf of the State Planning Commission and the Ministry of Water Conservancy and Electric Power respectively, extended warmest congratulations on the start of civil construction of the power station. In his speech, Gan Zhijian called on the Hanada Complex to seriously observe the contract, pay attention to its reputation, attach great importance to friendship, and fulfill the construction task with good quality and a high standard.

At 1235, under the command of Toshiyuki Horiuchi, general manager of the Hanada Complex, three long siren alarms heralded demolition for open diversion ditch works. Continuous firing woke the Minjiang, which had slept soundly for millions of years, while the cracking sound of the explosion and smoke floated up the gorge. It was learned that, at the beginning of March, the Hanada work teams and mechanical equipment arrived at the work site and started work.



VIETNAMESE RAIDERS SET FIRE TO YUNNAN VILLAGES

OW241602 Beijing XINHUA Domestic Service in Chinese 1428 GMT 24 Mar 87

[By correspondent Jin Bo and reporter Duan Jianxun]

[Text] Kunming, 24 Mar (XINHUA) -- Before dawn on 21 March, armed Vietnamese personnel sneaked into Jinping County of our Yunnan Province to start fires which destroyed the houses of 32 families of people of the Hani nationality. Twenty-one elderly persons, women, and children having difficulty getting about suffered burns.

Some 100 Hani families live in Dapingzhai on the border. At about 2 am on 21 March, a group of armed Vietnamese personnel entered the village and set fire to it. The villagers were already in danger when they awakened.

After our border sentry posts and armed police detachments discovered the fire, they dispatched one group of troops to pursue the enemy agents, and at the same time rushed another group of personnel to fight the fire in the village. After more than 4 hours of fire fighting, they rescued 21 injured villagers and saved the houses of more than 60 families. After the fire was put out, the fire fighters provided the fire victims with rice, quilts, clothes, and other articles for daily use, and built makeshift houses for them.

It is reported that since the beginning of the spring season, armed personnel dispatched by the Vietnamese Army have continuously sneaked into our border areas in Jinping, Hekou, Maguan, Malipo, and Funing Counties, and fired at our villages and fields, seriously threatening the lives and property of our border people.

YAO YILIN MEETS WITH AUSTRALIAN RETAILER

OW231330 Beijing XINHUA in English 1320 GMT 23 Mar 87

[Text] Beijing, March 23 (XINHUA) -- Chinese Vice-Premier Yao Yilin met with Brian Quinn, managing director of Coles-Meyer Ltd, the biggest department store in Australia, here today.

Mr. Quinn and his aides have come to visit China as guests of the Chinese Ministry of Foreign Economic Relations and Trade.

PRC ATTENDS REGIONAL NUCLEAR COOPERATION MEETING

OW232149 Beijing XINHUA in English 1830 GMT 23 Mar 87

[Text] Colombo, March 23 (XINHUA) -- The ninth meeting of the working group of the Asian and Pacific Regional Nuclear Cooperation Organization opened here today.

Present at the four-day meeting were delegates from 11 out of the 14 members -- Australia, Bangladesh, China, India, Indonesia, Japan, South Korea, Malaysia, Pakistan, Sri Lanka and Thailand.

The meeting is expected to discuss the ongoing and new nuclear projects to be undertaken under the regional cooperation umbrella.

The regional organization was established 15 years ago for exploitation of nuclear technology for economic development and benefit of the life in this region.

Sri Lanka has proposed the introduction of a new project for measuring soil erosion at very early stages using bomb fallout caesium-137. This is a very sensitive method for detecting and measuring soil erosion. There is reportedly no other method to quantitatively measure soil erosion.

An exhibition depicting the organization-supported activities in the members will be held from 23 to 27 March.

HISTORIAN CITES ANCIENT TERRITORIAL CLAIM

OW190244 Beijing XINHUA in English 0201 GMT 19 Mar 87

[Excerpts] Hohhot, March 17 [date as received] (XINHUA) -- A 71-year-old historian has plowed through a sea of historical date and churned out seven works and more than 20 treatises highlighting the little known but highly controversial ethnic group called Xiongnu (the Huns).

"I have spent almost 30 years studying the Xiongnu, which is little known outside the world of historians," said Professor Lin Gan. [passage omitted]

His work has gone a long way to solving the outstanding problem of how the Huns came into being, and why and how they moved westward, the aged professor said.

The map of the Xiongnu history he developed is unprecedented, and serves to refute to the idea that the areas north of the Great Wall were not originally in China's territory.

"My years of study show that all the nationalities in ancient China were interdependent and inseparable from one another," said the professor. [passage omitted]

WU XUEQIAN CONTINUES TOUR OF WESTERN EUROPE

## DIE WELT Interview

DW251141 Bonn DIE WELT in German 25 Mar 87 p 10

[Interview with PRC Foreign Minister Wu Xueqian by editors Herbert Kremp and Bernt Conrad; date and place not given]

[Text] DIE WELT: Signs indicate that your country's reform policy has gotten into difficulties or even come to a halt. General Secretary Hu Yaobang was removed from his position. It is almost the same as if the Soviet Union dismissed Gorbachev. Is it true that particularly the separation between the party and the state, which you want to implement, is creating difficulties for the reforms?

Wu: The assessment of the domestic situation in China expressed in the question is wrong. It does not correspond to the facts in our country. We will not stop our policy of opening up to the world; we will develop it further. We will also facilitate domestic openness; that is, we will decentralize and give the localities more authority. Work in these two fields is continuing. We have been cooperating with foreign firms. Many contracts have been signed lately. Cooperation takes place in various forms. It was also wrong of you to compare Hu Yaobang with the Soviet leadership. Hu Yaobang himself requested withdrawal from the post of general secretary. Hu Yaobang resigned from the post of general secretary, and he remains a member of the CPC Politburo. He is a permanent member of the Politburo, the highest leadership organ in our country. This was very clearly described in the communique of the enlarged Central Committee session on 17 January this year. I ask you to read that communique again.

DIE WELT: Is it not true that student unrest has strengthened those forces of the Chinese party that are skeptical about reform?

Wu: Just 1 percent of the students took part in the activities. The slogan of most students participating in the unrest was: "We demand reform; we demand democracy." However, those students do not know Chinese history well, nor do they understand Chinese conditions exactly. They remain in the universities, and they just study. Those students do not know how we in China must implement the reform, and what the reform is. Therefore, our policy was to educate the students, and the students unrest was over very, very quickly.

DIE WELT: Mr Minister, how do you assess the rapprochement between the PRC and the Soviet Union in the Gorbachev era? Is it correct that the number and seriousness of obstacles hampering the normalization of relations have decreased, or are there still obstacles?

Wu: Two points: After Gorbachev took over, several times he expressed the wish to improve relations with China. We welcome that. However, it is even more important to see action. As to the elimination of the three obstacles, particularly the elimination of the obstacle of Soviet support for Vietnam in the aggression against Cambodia, we have seen no substantial changes. Chinese-Soviet relations in economics, trade, science, culture, and the exchange of visitors have developed in past years. However, no substantial changes have taken place in the political field. Gorbachev's latest speeches expressed his determination to implement reform in the Soviet Union. He himself admitted that he will find many obstacles in his country. We would welcome it if he would overcome those obstacles and really implement the reforms. His latest speech deals mainly with the domestic situation in the Soviet Union, not with foreign policy.



DIE WELT: Do you take Gorbachev's assurances seriously that he wants to withdraw from Afghanistan? What do you think the Soviet Union should do in Afghanistan?

Wu: The origin of the Afghanistan problem lies in the presence of the Soviet army in Afghanistan. If they want to solve the problem, the Soviet Union will have to withdraw its troops completely from Afghanistan. We hope the Soviet Union sets up a withdrawal plan that would be acceptable to all sides and that would be reasonable.

DIE WELT: Will Zhao Ziyang, your premier, accept Gorbachev's invitation to visit Moscow on the occasion of his next visit to Europe? Will Deng Xiaoping accept Mr Honecker's invitation to visit East Berlin?

Wu: In June this year, Premier Zhao Ziyang will visit five Eastern European countries. I have not been informed that Comrade Deng Xiaoping will visit the GDR at the invitation of State Council Chairman Honecker. I do not know where you got that information.

DIE WELT: Our information is simply based on the fact that State Council Chairman Honecker has invited Deng Xiaoping.

Wu: No, I know nothing of it. Even more surprising is the information that the Soviet Union is said to have invited Premier Zhao Ziyang.

DIE WELT: The Americans and the Soviets are negotiating in Geneva on a European zero option regarding intermediate-range missiles. That solution envisages that 100 warheads will remain deployed in the Asian part of the Soviet Union. Is that solution acceptable to you, or would you prefer a global zero option fully eliminating Soviet warheads, including those in Asia?

Wu: Those are negotiations between the superpowers, the Soviet Union and the United States, on the reduction of intermediate-range missiles. We can only express our opinion. First, we take a positive attitude to every disarmament proposal -- regardless from which side it comes -- that will create detente in East-West relations, and that will safeguard peace in Europe and the world. As to the reduction of intermediate-range missiles, we have always been of the opinion that the European and Asian intermediate-range missiles must be reduced in parallel and in a balanced way, because security and peace in Asia, Europe, and the world are inseparable.

DIE WELT: If all intermediate-range missiles were eliminated in Europe, would they also have to be eliminated in Asia?

Wu: I have just discussed that.

DIE WELT: Leading PRC politicians in past years have always stressed the right of the German people to reunification. Is your standpoint the same today? What is the PRC's current attitude toward the German's right to self-determination?

Wu: The existence of two German states has been a historical fact since World War II. China maintains good relations with both German states. We wish sincerely that both German states will live peacefully together. We would welcome the two German states increasing their dialogue and developing relations of equal rights and mutual benefit. As to the problem of German unity, I am of the opinion that the problem must be solved by both German states and their people in the interest of both sides and peace in Europe and the world.

DIE WELT: Were your talks with the federal chancellor and the federal foreign minister satisfactory? What desires do you have after your talks, with regard to the FRG?

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PRC INTERNATIONAL AFFAIRS  
WESTERN EUROPE

Wu: I am very satisfied with the results of the talks I had with Foreign Minister Genscher and Federal Chancellor Kohl. About all international problems I discussed with the two, we are of similar or identical opinions. I heard from the two that the two leading politicians have the strong wish to strengthen the comprehensive relations between our countries. This corresponds to our policy. I felt that personally during my visit here.

DIE WELT: When I was in China in 1976 and 1977, your predecessors always maintained that a politically united Western Europe should be achieved that was independent of the United States and the Soviet Union. Are you still of the opinion that it would be a good geopolitical solution to the difficult problems between East and West?

Wu: European unity and stronger European integration is a matter for the countries and the people of Europe. I am of the opinion that a united strong Europe can play an important role in maintaining world peace.

Departs FRG for Switzerland

OW251451 Beijing XINHUA in English 1350 GMT 25 Mar 87

[Text] Bonn, March 25 (XINHUA) -- China's Foreign Minister Wu Xueqian today finished what he called a "very satisfying" five-day visit to Federal Germany.

During his visit, Wu discussed China's domestic situation, further developments in cooperation between the two countries, the world situation and arms control with Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher.

China's foreign minister also visited the Federal German States of Lower Saxony and Bremen.

Wu, also a state councillor, left for Switzerland today, the seventh and last stop on his current visit to Europe.

Swiss President Hosts Dinner

OW260420 Beijing XINHUA in English 0404 GMT 26 Mar 87

[Text] Berne, March 25 (XINHUA) -- Swiss Federal Council President and Foreign Minister Pierre Aubert today praised the good relations between China and Switzerland.

Speaking at a dinner in honor of Chinese State Councillor and Foreign Minister Wu Xueqian, Aubert said the Chinese and Swiss people have many common points in promoting their friendly exchanges. He hoped the relations and friendly cooperation between the two countries will be strengthened.

He also stressed the importance of the exchange of views between the two countries on international issues.

The Chinese minister arrived here today for a five-day official visit on the last leg of his European tour, which has already taken him to Czechoslovakia, Poland, Bulgaria, Italy, San Marino and Federal Germany.

Wu said the relations between China and Switzerland have gained sustained and stable development. Last year, Switzerland ranked top among small and medium-sized countries in Western Europe in trade with China.

China, Wu said, is convinced that its cooperation with West European countries such as Switzerland is not only in the fundamental interests of the two countries, but will also contribute to world peace and stability.

On disarmament, Wu said the arms race between the superpowers and regional conflicts is threatening world stability. He urged the superpowers to reach an agreement on disarmament, but not at the expense of other nations.

#### NEWS ANALYSIS REVIEWS BONN-MOSCOW TIES

OW201800 Beijing XINHUA in English 1634 GMT 20 Mar 87

["News Analysis: Bonn-Moscow Ties, Gearing Up? (by Xia Zhimian)" -- XINHUA headline]

[Text] Bonn, March 19 (XINHUA) -- Federal German Chancellor Helmut Kohl's second-term inauguration address to parliament Wednesday hit the headlines of today's papers here, which all stressed his proposal on "closer cooperation" with the Soviet Union.

A cartoon appearing in HANDELSBLATT, which describes Kohl hugging the polar bear on a bed, deepens one's impression that Bonn is more interested in Soviet leader Mikhail Gorbachev's Euromissile proposal than any other capitals in Western Europe.

In his address, Kohl declared that Bonn's relations with Moscow "has a key meaning" and "it is in the interests of both our countries to strengthen and deepen them."

According to Kohl, there are many possibilities in bilateral relations that are yet to be used and Federal Germany is willing to "strengthen" such relations and seek "wide-ranging" economic cooperation.

Kohl made these remarks after Bonn responded with prompt and active support for Moscow's Euromissile proposal and offered affirmative evaluation of the new changes in Moscow's domestic and external policies.

All this has its own reasons.

Fundamentally speaking, Federal Germany is a land deployed with a good number of missiles and sandwiched between the two hostile alliances in Europe.

Furthermore, the shadow of a vanquished nation during the second world war still hangs over the country, some of whose interests are still in the hold of the four conquerors.

Accordingly, Federal Germany's relations with the two superpowers appear more subtle and complex than those of any other European country with Moscow and Washington.

Meanwhile, the unique geographical position of the country, plus its economic and military power, makes itself an object of superpower rivalry.

As a result, all the post-war Bonn governments, while trying to maintain relatively stable ties with Washington, have been seeking better relations with Moscow.

Leaders of the two countries hardly stopped exchanging visits even during the cold war period.

However, Bonn has found it difficult to strike a balance between forming a close military alliance with the United States and other NATO partners and strengthening its relations with Democratic Germany and other East European countries.

The frequently occurring imbalances have landed Moscow in discontent and doubt.

In the past four years, Bonn twice came under Soviet "freeze strike" attacks.

At the end of 1983, the Kohl government decided to deploy U.S. medium-range missiles in Federal Germany in spite of Moscow's opposition. For this, the Soviet Union labeled Bonn in the summer of 1984 as "militarist" and "revanchist."

In the fall of 1986, Moscow unilaterally canceled a series of visits between the two countries on the ground that Federal Germany openly supported the U.S. Strategic Defense Initiative (SDI) project.

The two attacks led to stagnation in Bonn-Moscow relations and a setback for Kohl's East policy.

The Gorbachev government's "new flexibility" in foreign policy this year, particularly the Euromissile proposal and the friendliness to Bonn, naturally encouraged the Kohl government, which had been exposed to "cold currents" from Moscow.

And, it is not surprising for Kohl to promise in his Wednesday address to seek better relations and wider cooperation with Moscow.

However, the experienced Kohl government is unlikely to expect too much.

As the newspaper FRANKFURTER ALLGEMEINE ZEITUNG put it well in a commentary today, Bonn is willing to "understand, but not cherish illusions."

TANZANIAN GROUP CONTINUES VISIT, GOES TO SICHUAN

OWO91532 Beijing XINHUA in English 1443 GMT 9 Mar 87

[Text] Chengdu, March 9 (XINHUA) -- Tanzanian President Ali Hassan Mwinyi and his wife visited a granary in Chengdu, capital of southwest China's Sichuan Province, this afternoon.

Chinese Minister of Coal Industry Yu Hongen accompanied the Tanzanian president to the 50,000-ton granary, which was built by Chengdu City in 1956. Mwinyi inquired about the grain production, purchasing, storage and sales in Sichuan Province during his visit.

The Tanzanian president also called on two chicken-raising families in Xindu County. The two families jointly opened a chicken ranch in 1982. They plan to produce 260,000 chickens this year, with a total output value of 480,000 U.S. dollars and a net profit of 48,000 U.S. dollars.

Mwinyi asked his hosts about their chicken raising as well as feed varieties and supply.

Mwinyi and his party arrived in Chengdu from Beijing earlier today. They were greeted at the airport by Jiang Minkuan, governor of Sichuan Province, who hosted a dinner here this evening to welcome the Tanzanian visitors.

## Leaves Beijing for DPRK

OW100926 Beijing XINHUA in English 0849 GMT 10 Mar 87

[Text] Beijing, March 10 (XINHUA) -- Tanzanian President Ali Hassan Mwinyi, his wife and their party wound up their state visit to China and left here this afternoon for the Democratic People's Republic of Korea. They were seen off at the airport by Yu Hongen, chairman of the Chinese Government reception committee and minister of coal industry.

The Tanzanian visitors returned here earlier today after a tour of Chengdu, capital of southwest China's province of Sichuan.

Mwinyi told reporters at the airport that he has, through his three visits to China, witnessed tremendous achievements made by China in recent years. During his tour of Chengdu and its suburbs, he has also seen good results of China's policies in rural areas. All this shows that China's current policies are correct, he added.

During the current visit, he said, he met Chinese leaders including Deng Xiaoping, Li Xiannian and Zhao Ziyang. Their talks have given him a better understanding of China's principles and policies, he said, adding that he and Chinese leaders share identical views on many issues.

This morning, Mwinyi and his party visited a farm machinery exhibition hall in Chengdu, where they watched a demonstration of various kinds of small tractors and trucks and a forklift.

Mwinyi wrote on the visitor's book, "My delegation and I have been highly impressed by the technological advance we have witnessed here in China. I am sure that our dream of South-South cooperation will soon come true."



## President Calls Visit Fruitful

OW211616 Beijing XINHUA in English 1559 GMT 21 Mar 87

[Text] Dar es Salaam, March 21 (XINHUA) -- Tanzanian President Ali Hassan Mwinyi has said his visit to China from March 6 to 10 was "very fruitful and enjoyable" and he was greatly impressed by the achievements made by the Chinese people.

In his letter to Chinese President Li Xiennian, which was delivered today by the Tanzanian Foreign Ministry, Mwinyi said, "This visit gave me a valuable opportunity to see for myself the great achievements made by your country in the improvement of the economic and social well-being of the people of China. My visit to Sichuan Province was very useful and fascinating."

He said that he was greatly impressed by Sichuan's achievements, particularly in the field of agriculture, and that Tanzania had a great deal to learn from the experience.

The president said the discussions he had with Chinese leaders were also very useful. "These discussions have enabled us to reiterate our common desire to consolidate the excellent relations which already exist between our two countries and further strengthen our mutually beneficial cooperation," he added.

He also said: "I was equally impressed by the similarity in our assessment of the international situation. This will enable us to continue to work closely together in the pursuit of our common objectives for peace, freedom and justice. We shall continue to support the oppressed people in Southern Africa until victory has been achieved."

MOZAMBIKAN DELEGATION CONTINUES VISIT

## Visits Sichuan Province

MB170711 Maputo Domestic Service in Portuguese 0400 GMT 17 Mar 87

[Text] A Mozambican delegation headed by Armando Guebuza, member of the Frelimo Party Central Committee Political Bureau, is visiting the PRC. Yesterday, it held talks with the deputy director of the (Qchai-do) center for agricultural research in Sichuan Province. The talks centered on the new agricultural policy in the wake of the reform introduced by the CPC in 1978.

Sichuan is one of the main agriculture and livestock-producing provinces in the PRC, as well as being its most populous with about 100 million inhabitants.

Speaking during a banquet in honor of the Mozambique delegation, the deputy secretary of the Sichuan Provincial Committee said that this visit by a party delegation will strengthen cooperation for the good of both sides.

In turn, Armando Guebuza said at the banquet that Mozambique has greatly benefitted from cooperation with the PRC, especially in the field of agriculture.

## Tours Shanghai

MB181341 Maputo in English to Southern Africa 1800 GMT 18 Mar 87

[Text] Frelimo Party's Political Bureau member and Mozambique's Transport and Communications Minister Armando Guebuza has called for the strengthening of friendship between the People's Republic of China and Mozambique. Relations between the two countries date as far back as the period of Mozambique's liberation struggle. Speaking in China's industrial city of Shanghai, General Guebuza told the Chinese Communist Party officials in the city about the efforts being made to rehabilitate Mozambique's economy. General Guebuza is in China for a 2-week visit which is aimed at the exchange of views and experiences on how China went about its agricultural reforms. Shanghai is the most important city for the industrial development of China's socialist policies.

## Meets With Zhao Ziyang

OW211555 Beijing XINHUA in English 1540 GMT 21 Mar 87

[Text] Beijing, March 21 (XINHUA) — Premier Zhao Ziyang said here today that in formulating its strategy, policies and measures for building socialism, the Chinese leadership takes into consideration the actual situation in China.

Zhao, also acting general secretary of the Central Committee of the Communist Party of China (CPC), made the remarks at a meeting with a delegation from the party of the Mozambique Liberation Front, led by Politburo member Armando Emilio Guebuza.

Zhao told the visitors, who arrived March 9 and 10, that China is now in the early stage of socialism, which calls for special policies.

Based on this fact, the Chinese leadership has adopted the policies of reform, opening to the outside world and enlivening the domestic economy, said Zhao.

He went on to say that those who advocate bourgeois liberalization attempt to abandon or negate the socialist orientation, and this is not in keeping with the party's political line adopted in late 1978.

On the other hand, Zhao said, "in criticizing bourgeois liberalization, we by no means want to change the policies of reform, opening to the outside world and enlivening the domestic economy. On the contrary, these policies will be implemented resolutely."

Zhao extended a warm welcome to the Mozambican visitors on behalf of the CPC and the Chinese Government.

Guebuza said that Mozambican President Chissano wanted to thank China for sending an important delegation to the funeral of former President Samora Machel and extending congratulations to himself when he became new president of the Mozambican party.

President Chissano hoped for a further strengthening of the traditional friendship between the two countries and the two parties, Guebuza said.

Zhao assured the visitors that China attaches importance to the bilateral friendly relations.

"The traditional friendship between our two peoples grew out of the common struggle against imperialism, colonialism and racism, to which former President Samora Machel made important contributions," Zhao said.

He noted that under the leadership of the Liberation Front Party and President Chissano, the Mozambican people are working hard to overcome temporary difficulties, safeguard state sovereignty and security, and build up the economy and the country. They are also making efforts to strengthen unity and cooperation with other African countries, and maintain peace and stability in southern Africa.

"The Chinese people firmly support the Mozambican people's just struggle," he said.

Zhao asked Guebuza to convey best regards from President Li Xiannian and himself to President Chissano. Also, on behalf of the Chinese Communist Party, the Chinese Government and President Li, Zhao extended an invitation to President Chissano to visit China.

Guebuza and his part, who have completed a tour of Chengdu, Shanghai and Xiamen, left here for home tonight.

#### Leader's Impressions of Visit

OW241203 Beijing XINHUA in English 1049 GMT 24 Mar 87

[Text] Maputo, March 23 (XINHUA) -- Head of a Mozambican party delegation, which just wound up its visit to China, said today the good relations between the two countries will be maintained and further improvement was hoped for.

Armando Emilio Guebuza, member of the Political Bureau of the Mozambique party, told reporters there upon his return from the visit that he felt happy about his stay in China.

The Mozambican visit was regarded as an attempt of President Joaquim Chissano's government to study China's present economic reform drive and to improve relations between the two parties and countries.

Guebuza noted that he was deeply impressed by the two countries' friendship and especially China's firm support of his government's efforts for economic recovery in the famine-stricken southern African state.

Reports say about four million Mozambicans, one third of the country's population, are facing starvation and the government has called for more refugee aid from the international community.

Guebuza added that he was also told by the Chinese leaders about China's stand against apartheid in South Africa.

The Mozambique party left for China two weeks ago for a goodwill visit. The delegation also visited Pakistan.



LI XIANNIAN WELCOMES CAMEROON'S BIYA AT CEREMONY

OW250921 Beijing XINHUA in English 0857 GMT 25 Mar 87

[Text] Beijing, March 25 (XINHUA) — Chinese President Li Xiannian presided over a ceremony here this morning welcoming Cameroon President Paul Biya who arrived here earlier today on a seven-day state visit to China.

President Paul Biya arrived here at the moment of the 16th anniversary of the establishment of the diplomatic relations between the two countries.

This is the first time for him to visit China since he took the power. Accompanying the president for the trip are the president's wife, foreign minister Philippe Mataga and some other high ranking officials.

The ceremony began with the playing of the national anthems of Cameroon and China amid the 21-gun salute. President Biya reviewed a guard of honor made up of men of three services of the Chinese People's Liberation Army.

Present at the occasion were those who are accompanying the president on the visit.

Also attending the ceremony on the Chinese side were President Li Xiannian's wife Lin Jiamei, State Councillor Chen Muhua and officials of government departments concerned.

After the ceremony President Li and his wife had a friendly talk with President Biya and his party in the Great Hall of the People.

Vice-President Ulanhu attended the talk.

Li expressed welcome for [the] president's visit to China. Li said: "This is our first meeting, but we seem to know each other well earlier."

Li said that the relations between the two countries have made a satisfactory development since the establishment of Sino-Cameroon diplomatic ties. Both sides have identical views on many international issues. "So we have much in common to talk [about]," Li added. He also expressed congratulations on the achievements in the country's construction under the leadership of President Biya.

Biya said the warm welcome he had received here showed the deep friendship between the two countries and two peoples. He said the Cameroon people also admired the achievements made in China's socialist construction and cherished the friendly cooperation between the two countries in various fields. He stressed that the aim of his visit is to strengthen the existing friendship and cooperation.

Biya and his party arrived here this morning and was received by Yang Bo, minister of light industry and chairman of the Chinese reception committee.

Zhao, Biya Hold Talks

OW260940 Beijing XINHUA in English 0926 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- Chinese Premier Zhao Ziyang said here today that China's policy of opposing bourgeois liberalization does not mean opposition to democracy and freedom, but more momentum for the development of socialist democracy and freedom.

Zhao made the remark in talks he had with Cameroon President Paul Biya in the Great Hall of the People.

He explained that opposing bourgeois liberalization simply means implementing the political line since the Third Plenary Session of the 11th Party Central Committee in 1978 in a better and all-round way.

It by no means entails any changes in China's political line, principles or policies, he stressed.

Zhao said, "Our general principle is to persist in building the socialist system on the one hand, and to invigorate every field of work on the other."

"But," he said, "bourgeois liberalization denies the leading role of the party and the socialist system."

During the talks, Zhao admired the achievements Cameroon has achieved in stabilizing its domestic situation and developing its national economy under the leadership of President Biya.

Biya thanked Zhao for briefing him on China's situation. He also gave an account of Cameroon's domestic situation and the general situation on the African continent.

Zhao expressed satisfaction about the state of bilateral relations and hoped for further developments in this field.

Biya said that Cameroon and China have long had a deep friendship and his visit to China will strengthen the existing friendship and cooperation.

Present at the meeting were Cameroon Foreign Minister Philippe Mataga and other high-ranking officials accompanying the president on his state visit.

Yang Bo, minister of light industry and chairman of the Chinese reception committee, also attended the meeting.

This morning Huang Ganying, former vice-president of the All-China Women's Federation and member of the Standing Committee of the federation, had a talk with Mrs. Biya and took her on a tour of a jade workshop.

This afternoon President Biya and his wife visited the Great Wall.

ZHAO ZIYANG GIVES GOVERNMENT WORK REPORT AT NPC

HK251102 Beijing Domestic Service in Mandarin 0704 GMT 25 Mar 87

["Report on the Work of the Government" delivered by Premier Zhao Ziyang at the Fifth Session of the Sixth NPC in the Great Hall of the People in Beijing -- live]

[Text] Fellow deputies, on behalf of the State Council, I now submit a government work report for examination and approval by the present session.

**I. The Current Domestic Situation and the Basic Tasks**

Since the 3d Plenary Session of the 11th CPC Central Committee, our country's socialist line, guiding principles, and basic policies for construction with Chinese characteristics have been tested by practice and have also been enriched and developed in the course of practice. Under the guidance of the party's Marxist policies and line, our 1 billion people have united as one to wage struggles, open up new paths, make progress, and score the most outstanding achievements in socialist construction since the founding of the PRC. The whole country is in a situation of stability and unity with sustained development of economy. People throughout the country live and work in peace and contentment. Our country's economic forces have been greatly strengthened. The material living standard and cultural level of the great majority of urban and rural residents have been notably raised and improved. Our country is thriving and growing more and more prosperous day by day. Under our reform, the people's creative vitality and the superiority of the socialist system are being brought into full play day by day.

In the year 1986 [as heard], we began to implement the Seventh 5-Year Plan and achieved remarkable success. During this year, under the leadership of the CPC, people of all nationalities throughout the country continued to march triumphantly along the socialist construction road with Chinese characteristics. Over the past year, our most important achievements in the economic field were that we initially readjusted the overheated economic phenomena which emerged from the end of 1984 to 1985, thus continuously bringing the country's entire economy into the orbit of normal development. China's gross value of social products reached 1,877.4 billion yuan, an increase of 9.1 percent compared with the previous year. Of this, the country's total industrial and agricultural output value reached 1,510.4 billion yuan, an increase of 9.3 percent compared with the previous year; the national income reached 779 billion yuan, an increase of 7.4 percent compared with the previous year; and the grain output reached 391.09 million tons, an increase of 11.99 million tons compared with the previous year. Our forestry, animal husbandry, fisheries, other diverse economic undertakings, and township and town enterprises all continuously achieved new development. The ratio between agriculture and industry and the ratio between light and heavy industries were basically in balance. The structures of products were improved to some extent. Steel output reached 52.05 million tons, an increase of 11.2 percent compared with the previous year. Electricity output reached 445.5 billion kilowatt-hours, an increase of 8.5 percent compared with the previous year. There was sustained growth of crude oil and natural gas production. The country had an ample stock of coal. The perennial shortage of means of production was initially alleviated to some extent. The growth rate of marketable industrial consumer goods was higher than the whole industrial growth rate. Markets were brisk and thriving. The supply and demand of most commodities were normal. Our state plans for transport, communications, and posts and telecommunications were all overfulfilled. Regarding foreign trade, despite the drastic fall of oil prices on the international market, intense vibrations of the world economy, and many other problems, we worked very hard, adopted a series of measures, overfulfilled our export plans, compressed inappropriate imports, and reduced our foreign trade deficit.

The living standards of our urban and rural people were further improved on the basis of developing production.

Regarding the reform of our economic structure, which plays a decisive role in promoting our national economic development, we continued to make pioneering headway in some aspects on the basis of consolidating the past few years' achievements in reform. Lateral economic ties were developed in greater depth and breadth. The reform of the labor system made an important step. The promotion of all types of management responsibility systems and the factory director responsibility system has created important conditions for perfecting the management mechanism of enterprises.

The further relaxation of the prices of small commodities and the proper expansion of quality price differences between some products, of regional price differences, and of seasonal price differences have played positive roles in developing production and enlivening markets.

The reform of our banking structure and the development of money markets have contributed to the accommodation of funds and to the rational use of funds. All these things have ensured and promoted the current vigorous economic growth, have also made beneficial explorations for reforms to be conducted in the days to come, and will certainly have far-reaching positive significance.

We can clearly see now that the measures adopted last year by the State Council for further strengthening and improving macrocontrol and the Council's guiding principles on reform adopted last year of consolidating, digesting, and supplementing and improving were correct and necessary and also achieved notable results. We are very confident and are also capable of further promoting the whole national economy on the basis of long-term and stable development through efforts to conduct reform conscientiously and rhythmically.

Revolving around the central task of economic construction, our scientific, technological, educational, ideological, and cultural circles also scored many gratifying achievements over the past year. Filled with ardor and sincerity, the vast numbers of scientific and technical workers continued to implement the guiding principle of being geared to the needs of economic construction, actively promoted reform of the scientific and technological system, conscientiously organized work of tackling key scientific and technical problems, energetically developed and popularized scientific and technical achievements, and actively implemented the spark plan for reinvigorating rural economy. Last year, there were more than 10,000 important scientific and technical achievements in China. The great majority of such achievements have already been applied to production and construction with relatively notable economic and social results. On the basis of the repeated research and scientific feasibility studies conducted by several thousand experts for several years, we adopted and promulgated technical policies for 12 fields including energy, transport, communications, agriculture, and the engineering industry, and the program for developing high technology research in a number of fields including bioengineering, information, space flight, automation, energy, lasers and new materials. They will play major roles in the current and long-term development of China's science and technology and in the country's current and long-term social and economic development.



Through the hard work carried out by the vast numbers of educational workers, we have scored achievements in varying degrees in promoting the 9-year compulsory education, improving the restructuring of middle school education, developing vocational and technical school education, improving regular college and university education, and raising the quality of adult higher education.

The vast numbers of ideological and cultural workers have made great efforts to promote the building of socialist spiritual civilization, and made new contributions to the promotion and development of all cultural undertakings including the press, publications, broadcasting, television, literature, art, public health, sports, cultural and historical relics, libraries, cultural centers, and museums.

With the promotion of the drive to achieve socialist modernization, the important roles of China's intellectuals will continue to be brought into full play. Our country's political situation of stability and unity was further consolidated over the past year, thus offering an important guarantee of the promotion of economic and social development.

The building of our socialist democracy and the building of our socialist legal system have been further strengthened. Governments at all levels have made great efforts to promote the building of our country's political, economic, and social lives. On the basis of constantly strengthening legislative work over the past few years, last year the NPC Standing Committee examined and approved 11 laws and the State Council enacted and promulgated 59 new decrees and regulations. The poor conditions of the legal system with relation to state activities and all aspects of social life as caused by various historical reasons are currently being improved step by step. Extensive education in popularizing legal knowledge has been conducted for government working personnel and for all citizens, thus improving the government working personnel's consciousness of handling affairs according to law. Moreover, the people's sense of the legal system, of rule by law, and of citizenship has been strengthened.

The broad patriotic united front has been further consolidated and developed. The long-term relations of cooperation between all democratic parties and nonparty democratic figures and the CPC and government, and the relations of equality, mutual assistance, intimacy, and unity among all nationalities in the country have been further strengthened. As a result of hitting hard at economic crimes and other criminal activities, improving in a comprehensive way public order and seriously rectifying various malpractices, China's social order has been stable and the social mood is improving. Maintaining long-term stability and peace is the common desire of the people and a basic national policy of the country. We firmly believe that this aim can be achieved.

The PLA is a great wall of steel guarding our country as well as an important force in building the motherland. Over the past year, the PLA has achieved new results in the building of revolutionization, modernization, and regularization. The task of streamlining the Army, simplifying the administration, and reducing the number of PLA by 1 million has been almost fulfilled. The military and political qualities of the officers and men have been upgraded. The PLA has made new contributions in actively participating in the building of socialist material and spiritual civilization, in consolidating and developing a new relationship between the Army and the people, in safeguarding the country's stability and unity, and in defending the territory of the motherland and the safety of border areas. We firmly believe that the PLA will continue to make greater contributions to the state and people in these fields.

The people's police have also done a lot of work in maintaining social order, in ensuring social stability, and in consolidating the people's democratic dictatorship, achieving new results.

The above facts and basic situations fully indicate that on the whole, our country is full of vitality, the socialist cause is thriving and prosperous, and the situation is excellent. [applause]

Delegates, while fully affirming in a practical way the essence and main trend of the situation throughout the country, we must also see clearly that there are still many difficulties in the process of our advance and that we also had some problems and shortcomings in our work. In the economic field, the contradiction of the general social demand exceeding the general social supply has been somewhat eased, but it has not yet been thoroughly solved. There still exist some unstable factors. The state now has financial deficits, the prices of some commodities have increased too much, the income and expenditure of foreign exchange is unbalanced, the economic results of industrial production and construction are not good, the quality of some products has fallen, some products are unmarketable and overstocked, the consumption of materials is too high, and the cost of production has increased.

In the political and ideological field, the task of removing the influence of bourgeois liberalization is still very arduous. On the whole, governments at all levels and personnel of administrative organs work hard and serve the people. However, some shortcomings still exist in our government work, such as the inability to make forecasts and ineffective measures. Great efforts need to be made to seriously overcome such defects as overlapping administrative organs, overstaffing of administrative organs, inefficiency, bureaucraticism, and malpractices. All these problems merit our serious attention in ideology and work.

Practice has proved that resolutely, completely, and correctly implementing the party's line since the 3d Plenary Session of the 11th CPC Central Committee is the basic guarantee and a source of strength for building socialist modernization smoothly. In accordance with this basic experience and the current political and economic situation in China, we must concentrate our efforts to properly carry out two major tasks during the 1 year between the current NPC session and the next NPC session.

1. In the economic field, we must adhere to a correct policy on construction; widely conduct the drive of increasing production, practicing economy, increasing income, and cutting expenditure; develop the structural reform in depth; expand opening up to the outside world; and do our best to ensure continuous and steady development of the whole national economy.

2. In the political and ideological field, we must profoundly conduct propaganda and education on upholding the four cardinal principles, resolutely oppose bourgeois liberalization, strengthen the building of socialist spiritual civilization, and further consolidate and develop the political situation of stability and unity.

In accordance with the arrangements made by the central leadership and their own practical situations, governments at all levels, all trades, administrative organs, enterprises, institutions, and social organizations must solidly carry out all work focusing on these two major tasks. I hope that workers, peasants, intellectuals, cadres, PLA commanders and fighters, and people's policemen of various nationalities in the country will work hard at their posts and make new contributions in successfully fulfilling these two tasks. [applause]

## II. Adhere to the Principle of Long-Term Stable Economic Development

On the whole, China has basically maintained protracted and stable development of the national economy in the 8 years since the 3d Plenary Session of the 11th CPC Central Committee. This is a basis for maintaining stability and unity in the country and for making marked progress in society. Obviously, maintaining this trend of development for a long time and keeping it from setbacks is not only of great practical significance to consolidating and developing the current good economic situation, but is also of great far-reaching significance to attaining the modernization target, to strengthening China's economic power, to promoting the people's interest, and to upgrading China's position and increasing its role in the world. We must base our entire economic work on this and make unremitting efforts in this respect.

In accordance with our experiences in economic construction in the 30-odd years since the founding of the PRC, particularly in the past 8 years, and in view of the practical situation in the current economic life, what problems should we particularly solve to ensure long-term stable economic development?

1. We must put strengthening agriculture in an important strategic position in the development of the national economy. In a big country like China where the population is large and the level of productive forces is relatively low, whether agriculture as a foundation can develop protractedly and steadily is extremely important to the overall situation of the national economy. One major reason for our unstable economic development over a long period of time in the past is that our agricultural harvest was unstable. The most important reason for the continuous and steady development of the national economy over the past 8 years is that agricultural production increased by a big margin for years in succession. This has created an important condition for industrial production and the development of the entire national economy. The question of agriculture is essentially the question of grain. While sparing no efforts to develop grain production, we must continue to develop the diversified economy and continue to improve the agricultural production structure. We have made great achievements in rural reforms and agricultural production has developed in an all-round way over the past few years, but we cannot ignore the role of agriculture as a foundation because of this and cannot neglect rural work. We must fully understand that the per capita allocation of grain and other agricultural and side products in China was relatively small in the past and both the foundation of grain production and the foundation of forestry, animal husbandry, and fishery are relatively weak. Meanwhile, on the whole China's rural areas are still in the stage of opening up. Latent power can be exploited by deepening reform. There are also great potentialities in utilizing and exploiting the rural resources. There are still bright prospects for development of the rural economy. We must proceed from two fields -- namely, deepening reform and increasing our input -- and endeavor to increase the reserve strength in developing agriculture. Along with the in-depth development of reform, we must conduct a series of new guidance construction and, when conditions are ripe, legalize some policies to ensure the consistency of our policies. We must effectively protect arable land, forests, and grassland; vigorously strengthen the capital construction of farmland; actively spread scientific and technological knowledge; continuously upgrade the scientific and technological level in agricultural production; strive for a continuous, large increase in grain production; and promote overall and steady development of the rural commodity economy on this basis. We must continue to properly carry out the work of helping old revolutionary base areas, minority nationality areas, remote areas, and poor areas get rid of poverty and become rich, so that the people in these areas can have enough to eat and wear as soon as possible by developing production.



2. This is not only an important economic task, but also an important political task. It is necessary to act according to the objective law that construction scale must be adapted to the country's strength. Adapting the scale of construction to the country's strength is a basic condition for the steady development of the national economy as a whole. The work of controlling the excessive growth of investment in basic fixed assets yielded initial results last year. The investment of state-owned units in capital construction increased by 7.3 percent over the previous year, much lower than the 44.6 percent growth recorded in 1985. The principal problems now are that the growth of extra-budgetary investment in fixed assets has not been satisfactorily controlled, that too many projects have been launched, and that the scope of the projects under construction is too large. What merits our particular attention is that the investment pattern in fixed assets is very irrational. A considerable number of projects under construction are the ordinary processing industry and there are also many nonproductive construction projects such as office buildings, auditoriums, and hotels, which should not have been built or have an excessively high standard under the current conditions of the country's strength. On the other hand, investments in such weak links of the national economy as the energy, transport, telecommunications, and raw and semifinished materials industries seem even more uneven. If such an investment pattern is not promptly and rationally readjusted, the large numbers of the processing industries or nonproductive facilities will not have the necessary guarantee in energy, transport, telecommunications, and raw and semifinished materials. They will not develop into production capacities or will not go into operation, thus causing a tremendous waste in social wealth. Or, we shall have to increase funds by tens of billions of yuan to expand the construction of the basic industries or the infrastructural facilities, which will inevitably lead to malignant expansion of the investment scale.

To further change the situation marked by the excessive scale of projects under construction and the irrational investment pattern, the State Council decided at the beginning of this year to resolutely implement the policy of three guarantees and three reductions in capital construction, namely, guaranteeing budgetary construction projects and reducing extra-budgetary construction projects; guaranteeing productive construction projects and reducing nonproductive construction projects; and guaranteeing key construction projects and reducing non-key construction projects.

At present, the various localities are conscientiously implementing this principle. However, some departments and localities still act slowly and fail to take effective measures. This should be promptly rectified. We should resolutely restrict the scale of construction strictly within the limits permitted by the country's strength and effectively strengthen the construction of key construction projects that have a bearing on the overall situation.

3. It is necessary to realistically establish the increase in consumption on the basis of the possible development of production.

In recent years, we have conscientiously rectified the previous tendency of one-sidedly stressing accumulation and ignoring consumption and taken a series of measures to resolve problems in the people's livelihood that have accumulated over the years, so that the income and consumption level of the overwhelming majority of urban and rural residents have markedly improved. This is necessary and correct.



In the future, we should still uphold the principle of constantly improving the people's living standards on the basis of increased production. It should be pointed out, however, that a question that merits our attention in the economic life of our country now is that the consumption demand of the purchasing power has increased too rapidly, that the consumption desire has grown stronger, and that the standards have become higher. This is particularly true in group consumption. Many government organizations, enterprises, institutions, and social organizations go in for ostentation and extravagance, display their wealth, and vie for one another in luxury. Inviting people to dinner, sending gifts, indiscriminately issuing goods, lavishly spending public money, and living in luxury have become a prevailing practice. They blindly pursue modernization in various facilities. The practice of extravagance and waste has developed to a fairly serious degree. Wages, bonuses, and other consumption expenditures have increased excessively. This has not only increased the production costs but also exacerbated the contradiction between the consumption structure and the industrial structure. Over the past few years, the production of many high-grade, durable consumer goods has increased by a great margin. Moreover, we have spent a lot of foreign exchange in importing a large quantity of complete sets and parts. But the contradiction between supply and demand is still fairly acute. This tendency in the consumption pattern has departed from the practical level of our country's economic development and the possibility of changes in industrial structure. If we do not guide it correctly, not only will the accumulation of funds be reduced, causing inadequate capacity for future economic development but, what is more serious, it will corrupt social values, generate the idea of seeking pleasure and not striving to do pioneering work, and develop the contradiction between the low practical per capita national income and the excessively high consumption desire, giving rise to various social problems.

Production is a precondition of consumption. Personal consumption should gradually improve along with the development of production. Under normal conditions, the rate at which the people improve their living standards must be lower than the growth of production and improvement of the labor productivity. Increase in the purchasing power of residents and groups must be adapted to the production growth of social consumer goods. This is an objective economic law that should not be violated. In particular, China is now in a stage of building socialist modernization. We should accumulate a large amount of construction funds. We must uphold, for a long time, the principles of building the country through diligence, thrift, and hard work and running all things with industry and thrift. We must not pursue excessively high consumption. In light of the practical economic conditions and development possibilities, we should appropriately arrange for the consumption level of the people. At the same time, we should adopt practical and effective policies and measures to strictly control group consumption and correctly guide and adjust the people's consumption demands, grades, mentality, and modes, so that they can conform to the conditions of our country's natural resources and the development level of the productive forces. In addition to that, strictly controlling population growth is of great importance to the sound development of China's modernization and the steady improvement in the people's living standards. We should continue to unswervingly carry out a series of principles and policies on planned parenthood.

4. Great efforts should be made to achieve a basic balance between revenues and expenditures and between credit receipts and payments. This is an important principle in China's economic work and an important guarantee for stabilizing the economy. Last year, there were some deficits in the country's finance and there were some imbalances between bank credit receipts and payments. On the one hand, financial deficits have been caused by various factors, such as the slumping international oil prices, increased costs of export goods in terms of foreign exchange, and a reduced tariff income.

On the other hand, however, it also reflects the excessive scope of our expenditures. In economic development, after the overheating that occurred 2 years ago has been brought into the orbit of normal development, the factors of some abnormal incomes have also gradually decreased and the financial revenue has increased more rapidly. However, the excessive scope of expenditure that has been spurred in the super high development has not been reduced. In recent years, the funds at the disposal of localities, departments, and enterprises have increased considerably, and the proportion of the state financial revenue in the national income and the proportion of the central financial revenue in the state financial revenue have dropped considerably. In many things that should have been run by the localities, departments, and enterprises with the funds at their own disposal, they still ask the state finance, particularly the central finance, to pay for them. Meanwhile, given the conditions that our funds are more scattered than before, we have not been able to establish systems or mechanisms that can effectively guide social funds into a rational direction. On the one hand, this has provided an objective condition for the localities and departments to blindly develop the processing industry and to expand the construction of nonproductive projects. On the other hand, this has excessively increased the burden of the state finance, especially the central finance, giving it too many problems to cope with. If we do not promptly adopt correct policies and effective measures to change this situation, the financial deficits will probably increase still further in the next few years and the imbalance between credit receipts and payments will tend to expand. Financial deficit and the imbalance between credit receipts and payments are closely related to the issuance of currency. In the course of economic growth, it is not a terrible thing if some financial deficits and imbalances between credit receipts and payments emerged in certain years. However, if the amounts are too great and the time lasts too long, it will lead to excessive issuance of currency, serious inflation, drastically rising prices, and difficulties in economic life. For this reason, we must resolutely reduce the excessive financial expenditure.

At the same time, in accordance with a new distribution pattern, we must rationally readjust the central and local financial revenue and expenditure structure and appropriately increase the proportion of central financial revenue and expenditure.

This year, through issuing bonds, the state can concentrate some of the idle extrabudgetary capital for key construction. The banks should vigorously raise capital, mop up idle capital in society, actively expand the sources of capital, and properly arrange their various loans. Apart from rationally ensuring the enterprises' floating capital and capital for the purchase of agricultural and sideline products, all loans must be strictly controlled. Currency issue must be resolutely kept within the framework set by the state plan.

5. We must continue to guard against the blind pursuit of an excessively high growth rate. Only by taking account of needs and possibilities and maintaining an appropriate growth rate with good proportions and economic results can we promote steady development of the economy. The target we have set of quadrupling industrial and agricultural output value by the end of the century has as its premise improving economic results and depends on spurring the progress of science and technology. It is realistic and completely attainable. If we pay no heed to economic results and technological progress and depart from the actual possibilities of our own area and of the whole of society and blindly chase after quadruplication ahead of schedule or rapid and multiple increases, this will seriously interfere with the implementation of the correct guiding principles for construction and cause all kinds of tensions and loss of control. This will result in big rises and falls in the economy and an inability to reach the desired speed.

Last year, as far as the country as a whole is concerned, the economic growth rate switched from excessive speed onto the normal track. However, one-sided pursuit of growth rate and attempts to achieve transformation too rapidly have not yet been completely eliminated.

China is a large country with a big population and a weak foundation. There are also big regional imbalances in natural conditions and economic and cultural development. This basic national condition determines that, to fundamentally transform our country and make it prosperous and developed, with all the people rich, we have to make persistent and dauntless, persistent and dauntless, [repeated phrase as heard] efforts. We certainly cannot be impatient for success. We must establish the strategic principle of long-term stable growth, advance in an earnest and down-to-earth way, and must absolutely not blindly pursue excessive speed. This will help us lay a sound foundation, harmonize the various economic relations, and promote coordinated and sustained development of the national economy.

6. Fundamentally speaking, to maintain long-term stable economic development, we must unwaveringly promote all-round economic structural reform. The problems we have currently encountered in economic life are problems in the course of advance and development. In the past 8 years, as a result of implementing the principle of reform, opening up, and invigoration, China's social wealth and economic strength have recorded great growth. Comparing 1986 with 1978, gross national product rose from 348 billion yuan to 938 billion yuan, a rise of 102 percent calculated according to comparable prices; national income rose from 301 billion yuan to 779 billion yuan, a rise of 94.9 percent calculated according to comparable prices; state revenue rose from 112 billion yuan to 222 billion, a rise of 98 percent. Extrabudgetary capital in the hands of the departments, localities, and enterprises rose from 34.7 billion yuan to 167 billion yuan, a rise of 381 percent. The average consumption level of the urban and rural residents throughout the country rose from 175 yuan to 450 yuan; after deducting the price rise factor, this was still a rise of 86.9 percent.

These figures and facts fully show that the current difficulties being encountered have occurred amid conditions of the vigorous development of production and construction and of continual improvements in living standards, not amid conditions of economic retrenchment and declining living standards. Hence, we have the material foundation and the favorable conditions for overcoming these temporary difficulties.

At the same time, we must also realize that the problems currently being encountered are new problems occurring amid the smooth progress of the reforms. They must and can only be resolved through deepening the reforms. China's economic structural reforms are now at the stage of replacement of old systems by new. The old structure has been broken through in many respects, but the new economic structure has not yet been established as a complete system. The reforms now being carried out need further forming into a complete set and perfecting. This situation of simultaneous existence of the new and old systems is a major cause of a certain loss of macroeconomic control in the previous 2 years and the current problems that have occurred in finances, credit, investment, and consumption. Therefore, we must continue to unwaveringly, actively, steadily forge ahead with the reform of our entire economic structure. We must also strive to maintain, under certain conditions, the completeness and effectiveness of the economic structure that has now formed.

For this purpose, the State Council has organized the forces of all sectors to seriously sum up the experiences of reform in the past few years and carefully study schemes for further forming the reforms into a complete set, to facilitate the still more effective reform of the entire economic structure and bring the national economy further onto the track of benign cycle.



Deputies, apart from the issues I have mentioned above, both at present and in the long term, we must launch an extensive, deep, and sustained drive to increase production, practice economy, increase revenue and cut spending. This is the way to truly build the economy on a foundation of long-term stable development. This drive has long been an important magic weapon in promoting China's economic construction. In the new period of history, far from discarding this magic weapon, we must do still better at bringing its important role into play. By extensively launching the masses to work hard to increase production and revenue and practice strict economy and oppose extravagance and waste, we can not only make rational and effective use of our limited social and natural resources, better develop all production and construction undertakings, and increase social wealth, but we can also carry forward the fine tradition of waging arduous struggle and building the country and doing everything with diligence and thrift.

We can turn this into a powerful motive force for developing the social productive forces. This is of tremendous practical and long-term significance for stepping up the building of socialist material and spiritual civilization.

This drive to increase production, practice economy, increase revenue and cut spending has been proposed amid the new situation of deep-going reforms of the economic structure. Hence, it must be still better integrated with deepening the reforms. The experiences of the past few years fully prove that management standards and enterprise qualities have been relatively greatly improved in enterprises that have done relatively well in reforms; such enterprises have strengthened, to a relatively great extent, their market concept and consciousness of competition, and their economic results have improved markedly. And so we say that increasing production, practicing economy, increasing revenue and cutting spending is the inevitable demand and result of deepening the reforms. Reform is the motive force for increasing production, practicing economy, increasing revenue and cutting spending. All localities, departments, and enterprises must correctly understand and handle well the relationship between these two, and ensure that they are closely linked and spur each other on.

In the drive to increase production, practice economy, increase revenue and cut spending, the emphasis should be on all-round improvement of social and economic results. In industrial production, while ensuring a normal growth rate, it is necessary to speed up the readjustment of the production structure and the product mix and vigorously increase output of products with a ready market to meet the changes in the domestic and foreign markets. All industrial enterprises must strive to improve product quality, cut input consumption, and economize capital. They should launch technological improvements to improve labor productivity. Great attention must be paid to collecting scrap and step up comprehensive utilization.

In the circulation field, it is necessary to actively open up the urban and rural markets, seriously take an inventory of warehouses, reduce stockpiles of products, and speed up the turnround of products and capital. It is necessary to economize circulation costs and reduce enterprises losses.

In the construction field, we should center efforts on rationally readjusting the investment structure in reducing project costs, shortening the construction cycle, and improving the effects of investment.

In other fields of work, including scientific research, education, culture, public health, and sports, and in organs, bodies, and the armed forces, it is also essential to take full consideration for improving the economic and social results of expenditure. We should strive to achieve more while spending less and resolutely correct the serious extravagance and waste that exists everywhere at present.



The State Council has decided on a general demand that expenditure on administration, undertakings, management, and so on this year must be reduced by 10 percent from the actual figure budgeted last year.

We must strive to ensure that we uphold for a long time the principle of strictly controlling all financial expenditures.

In the drive to increase production and practice economy and increase revenue and cut spending, we must attach great importance to the role of science and technology. In every cardinal link in production, construction, circulation, and sales, and in every trade including industry, agriculture, communications and transport, the building trade, and commerce, it is essential to be concerned for and promote the progress of science and technology. We must bring increasing production and practicing economy and improving management onto the track of relying on the progress of science and technology. The science and technology departments must continue to carry out the correct development strategy and policy and firmly concentrate their major efforts on the technological transformation of the enterprises and on serving the national economy. At the same time, they should organize crack forces to actively research and develop high technology and continue to do a good job in practical and theoretical research.

Bringing into full play the spirit of the cadres and masses in striving for progress in all the enterprises is of decisive significance for completely fulfilling the tasks of increasing production and practicing economy and increasing revenue and cutting spending. We hope that enterprises of all types in the fields of production, circulation, and construction will focus their vision and base their work on tapping the potentials within the enterprises. It is necessary to step up technological work in the enterprises, put economic accounting on a sound basis, strictly observe financial and economic discipline, step up auditing and supervision, be strict and impartial in meting out reward and punishment, and vigorously improve the standing of management.

It is necessary to resolutely enforce labor discipline and to resolve to change the present seriously backward situation of lack of strict management, lack of clear duties and responsibilities, and lax discipline in many enterprises. We must resolutely protect the proper rights of the enterprises and strictly put a stop to the practice of indiscriminately collecting fees and imposing charges on the enterprises by some localities and departments.

The workers should further strengthen their high sense of responsibility to the enterprises, the state, and the socialist cause, and strive to improve their technical and professional standards. They should enthusiastically contribute their talent, wisdom, and all their strength in the drive to increase production and practice economy and increase revenue and economize expenditure.

All cadres, especially the leading cadres at all levels, must set an example, do a good job in their own posts, and take the lead in arduous struggle, and in hard work and thrift, and make vigorous efforts to bring prosperity to the country. All sectors and trades and all localities must strengthen leadership and draw up specific plans and measures, promptly sum up and popularize advanced experiences, launch the drive to increase production, practice economy, increase revenue and cut spending in a thoroughly sound way, carry it out unwearyingly, and strive for practical results.

## III. Deepen the Economic Structural Reform and Open Wider to the Outside World

The sustained, steady development of the national economy requires us not only to persist in the correct construction policy but also to intensify reforms and open wider to the outside world. We should combine the correct construction policy and the plans of reform and opening up so that they will be well coordinated and promote each other. This is one of the important experiences we have acquired in recent years from the tremendous achievements in economic development. It is also important guarantee for the smooth implementation of socialist modernization.

The reform of our country's economic structure must meet the requirements of developing a planned commodity economy on the basis of socialist public ownership. Its main objectives are to invigorate enterprises, perfect the market system, and strengthen the macroeconomic management system. Practice has shown that this set reform orientation and the overall plan are correct. We must be fully aware of the long duration and complexity of reform and be good at making prompt, proper arrangements for specific reform steps and other supplementary measures in accordance with the development and changes in the situation.

After careful study, the State Council has set forth the following major tasks for economic structural reform in 1987: Center on invigorating enterprises, especially the large and medium-sized enterprises; stress reforming their managerial mechanism and internal leadership structure of enterprises; continue to develop lateral economic cooperation; properly speed up the financial reform; further enlarge the capital goods market; gradually reform and improve the enterprise labor and wage system; introduce better control over investment in fixed assets; and actively make preparations for further systematic reforms in all sectors.

1. Intensify reform of enterprises and establish and improve their managerial mechanism which combines their responsibilities, powers, and interests.

Invigorating enterprises is the central link of economic structural reform. As a result of reform in the past few years, the vitality of enterprises has been generally strengthened to some extent. However, they have not been invigorated enough. This is particularly true of large and medium-sized state enterprises, which have not been truly invigorated. The main reasons for this are: On the one hand, the powers which under state regulations should have been delegated to enterprises are retained by some intermediate links in some localities and departments and have not been truly delegated to enterprises; on the other hand, in expanding enterprises we have not properly combined their responsibilities, powers, and interests and failed to create conditions for enterprises to expand managerial authority and truly assume responsibility for profits and losses. Consequently, enterprises are often unable to take initiative to meet the requirements of the state macroeconomic policy and make prompt, rational responses to market changes. The reform of enterprises' internal structure and utilization of their potential have been greatly restricted.

To further deepen enterprise reform, we must, in addition to resolutely delegating the powers that should have been given to enterprises in accordance with regulations, focus our reform on improving the enterprises' operational mechanism and, in accordance with the principle of separating ownership and managerial authority, earnestly institute different forms of management responsibility so that enterprises will truly become relatively independent economic entities with full managerial authority and full responsibility for profits and losses. We should work our rational and flexible methods of operation in the light of the characteristics of different trades and enterprises.

Generally speaking, small enterprises may be contracted or leased out. Large and medium-sized enterprises may carry out different forms of the managerial responsibility system in the light of their specific conditions. Contracts may be signed to lay down unequivocally the relations — in terms of responsibilities, powers, and interests — between the competent authorities in charge of the enterprises concerned and the enterprise managers and between the collective and its workers and staff. We must earnestly protect all the legitimate interests of the enterprises, enterprise managers, and workers and staff.

In brief, it is necessary to actively explore diversified ways of separating enterprise ownership from management authority and gradually work out a system of socialist enterprise management with Chinese characteristics, which suits the principle of making public ownership predominant and filling the enterprise with vigor and vitality.

Along with implementation of the management responsibility system in enterprises, it is also imperative to hasten the reform of the leadership structure in enterprises. It is necessary to extensively implement and improve the system whereby factory directors assume full responsibility, in line with the CPC Central Committee's instructions. The factory director, who represents the enterprise as a corporate body, has overall responsibility for the enterprise. It is necessary to extensively introduce a system under which a director is given prescribed targets and responsibilities as well as promotions during his or her tenure. This will encourage enterprise managers to work together with all workers and staff to improve basic work in various fields, establish a strict internal management system, and gradually cultivate an enterprise's behavioral mechanism for self-restriction, thereby facilitating the training of the large number of capable socialist-minded entrepreneurs urgently needed for our cause.

2. Further develop all kinds of lateral economic ties and encourage the establishment of enterprise groups or associations.

While deepening the reform of the enterprise management system, it is also necessary to further develop lateral ties among enterprises and between enterprises and scientific research institutions. These ties must be developed on the basis of the objective demands of economic development. A new organizational structure of enterprises that can meet the demands of modern large-scale socialized production must be gradually established. Because of reforms made in recent years there are now some 32,000 registered economic associations across the country. They have formed 24 transregional lateral economic networks. Based on the tangible results of reform, in 1987 we will further study and discuss specific policies and measures to more vigorously develop lateral economic ties. It is necessary to encourage and support associations of production elements formed between various localities, departments, and enterprises through mutual investment and [words indistinct] in order to rationalize the enterprise's organizational structure. Where conditions permit, we may set up intertrade and transregional enterprise groups or associations and gradually regularize responsibility, power, and interest relations among them. Military industrial enterprises should actively take part in all kinds of lateral economic ties in accordance with the principle of integrating military and nonmilitary enterprises and peacetime production with preparedness for war.

Based on our experience in developing lateral economic ties in recent years, it is necessary to properly handle problems in the following four areas: First, it is necessary to stress voluntary participation and mutual benefit and feature a key enterprise or famous-brand, quality product as the leader of lateral economic ties, so that an enterprise association will not be turned into a disguised administrative corporation or a purely administration organization.



Second, competitive enterprise groups of different sizes and characteristics may be established within one trade, in order to prevent monopoly by a single enterprise or enterprise group. Third, departments of comprehensive economic management at various levels and departments in charge of various trades should energetically support enterprises in developing lateral ties based on their capabilities and resolutely remove obstacles created out of selfish interests by departments and trades, in order to ensure sound development of lateral economic ties and enterprise associations. Fourth, scientific research institutions should be invited to join enterprise groups, in order to promote close integration of research with production and add to enterprises' capacity for technological development.

3. Conduct in-depth reform of the financial system and make further efforts to properly manage and flexibly use various kinds of social funds.

Accelerating the reform of the financial system is not only an important aspect of the state's efforts to strengthen and improve macroeconomic control, but also a necessary condition for invigorating the economy. Since last year, the reform of the financial system has developed rather quickly, especially with respect to the market for short-term funds. This has played a significant role in alleviating the shortage of circulating funds of enterprises and promoting the reasonable use of funds in society. This year we should lose no time in making new strides in this regard.

The focal point of this reform is to further intensify and improve the central bank's duty and function of macroeconomic control, actively develop multiple forms of financial organization and effectively use numerous fund-circulating instruments, open a large variety of credit businesses, make all-out efforts to develop urban and rural insurance businesses, and develop proper competition among the various kinds of financial organizations. Efforts should be made to see that specialized banks, insurance companies, and other financial organizations at and below the provincial level will develop into enterprises under certain conditions and gradually achieve the goal of operating independently and assuming responsibility for their own profits and losses. We should reform the system of bank interest rates, gradually make the interest rates on deposits and loans more appropriate, and put into effect the differential interest rates based on length of time and the floating interest rates. We should improve the method for managing the circulating funds of enterprises, change the practice of banks taking full responsibility for supplying funds to meet enterprise requirements, gradually achieve the centralized and unified management of foreign exchange and external debts, and make flexible use of foreign exchange funds. It is necessary to give full play to the role of central cities and financial centers, and to develop, step-by-step and under guidance, markets for the circulation of funds at different levels and of different scales with big and medium-sized cities as their support, and give play to the role of funds markets in raising and adjusting funds, guiding the flow of funds, and raising efficient use of funds.

4. Further expand the market of means of production so as to create a favorable environment for boosting the vitality of enterprises.

Currently, big and medium-sized enterprises generally lack vitality. The main reason, as far as external conditions are concerned, is the lack of a fairly sound market of means of production. This year we should make positive efforts to develop and improve markets of major means of production, such as rolled steel, coal, cement, and lumber. The state is prepared to take out some rolled steel from under the unified distribution plan and supply all of it to designated major markets, and will earnestly step up guidance and management and use necessary economic measures to see to it that more rolled steel originally intended to be sold by the production enterprises themselves and in excess of needs and stockpiled by user units is supplied to the market.  
[paragraph continues]



Encouragement should be given to the establishment of a stable goods supply relationship among enterprises on the principle of mutual benefit and reciprocity. Where conditions permit, efforts may be made to popularize, step-by-step, the experience of Shijiazhuang and other localities. With regard to some major means of production, whether they are included in the plan or not, the measures for ensuring "a unified selling price, compensation of price differences, gradual loosening of control, and expansion of the market" should be applied, so as to facilitate the expansion of decisionmaking powers of enterprises in selecting the best goods to purchase; reduce the stock of materials in society; effectively prevent the phenomenon of buying and reselling at a profit; and more successfully help establish markets of means of production.

5. Reform the enterprise labor wage system and gradually harmonize the distribution relations of enterprises.

This year, all enterprises must take a further step toward seriously implementing the State Council stipulations concerning the reform of the labor system. From now on, all state-owned units must turn to the public to recruit new workers and sign labor contracts with all the workers. At the same time, they should actively institute an unemployment insurance system for the workers and staff members, and gradually implement unified old-age pension procedures with the province, city, or country as the basic unit. With regard to the distribution relations between the state and enterprises, the state will continue to set generally united wage reference standards only for a short period in the future. From then on, the state will only set the ceilings and ranges of wage and bonus increases or set the quota and ratio relative to efficiency. The enterprises will decide on their own specific forms and methods of distribution. The enterprises may, in consideration of their own conditions, adopt different forms of income distribution, such as time wage plus bonus, piece rate wage, floating wage, or wage for a fixed output. They should link the workers' labor remuneration even closer with their contributions, truly overcome egalitarianism, and do a good job in distribution according to work. At the same time, the state should take a further step toward perfecting the system and methods of improving macroeconomic management of consumption funds, and toward making the increase of consumption funds commensurate with the growth of production and with the increase of the national income.

6. Improve the procedures for managing investment in fixed assets and further increase investment returns.

In capital construction over the last few years, we have implemented various systems of contracted investment responsibilities and various public bidding systems. These systems have played a remarkable role in arousing the enthusiasm of various departments, localities, and enterprises; promoting rational use of funds; and increasing investment returns. This year, we should further popularize and improve various systems of contracted investment responsibilities. At the same time, we should, in the course of managing investment in fixed assets, streamline administration, institute decentralization; properly give lower levels more power to examine and approve projects; simplify procedures for examination and approval; make departments, localities, and enterprises share the responsibility and risks for investment decisions; and achieve a unity of responsibility, power, and interest. With the precondition that total investment not exceed the budget set in the Seventh 5-Year Plan, we should give the contracting departments more power to examine and approve projects. We should also properly give noncontracting departments and localities more power to examine and approve the projects of some trades. Large industrial complexes with independent plans and the large and medium-sized key enterprises selected to enjoy state support should be given more power to plan and undertake capital construction and technological transformation. Procedures for arranging investment in the annual plan should be improved.

Under the condition that the scale of investment is under strict control, departments and localities may, within the framework of the stipulations of the state, make necessary readjustments of their investment in certain projects. We should improve the procedures for examining and approving construction projects, shorten the time of examination and approval, and enhance working efficiency. For project construction, we should break the barriers between localities, between departments, and between military industry and civilian industry in designing, engineering, and equipment supply, and equipment import; adopt the public bidding system in a comprehensive way; and award the projects to the best bidders, thus gradually changing the past practice of assigning construction jobs through administrative means.

Deputies, the reform of the price system and commodity prices are matters about which the people are generally concerned and have the most complaints. Because the law of value was long neglected and because the state exercised too much and too rigid control over prices, the pricing system in China has been very irrational. If it is not reformed, we will be unable to establish the perfect socialist market system that is indispensable to the development of a socialist commodity economy, effectively promote the development of production and commodity circulation, and correctly guide the consumption of the public; nor will we be able to establish a new socialist economic structure that is full of vitality and vigor. For this reason, the irrational system of pricing and the irrational system of price control must be reformed. The reform of the pricing system is very difficult because it affects every household.

Generally speaking, our reform of the pricing system is a structural readjustment. However, because the prices of agricultural products and primary products, such as energy sources and raw and semifinished materials, have long been on the low side, and because many commodities have long been in short supply, it is inevitable that the commodity prices as a whole will rise in the course of the reform. Of course, the rise in prices is also due to the moderate inflation existing in our actual economic life. The rise in commodity prices as a whole will inevitably give rise to the question of whether or not the state, enterprises, and the people can stand it financially and psychologically. The government must do careful studies, surveys, calculations, and comparisons before any measure for the reform of the pricing system is implemented; and it must strive to keep the extent of the price rise within the limits of endurance of the society and the people. The people should enhance their understanding of the fact that the reform of the pricing system is necessary. They should increase their ability to adapt themselves to price changes in the course of developing a socialist commodity economy. We cannot increase wages without increasing commodity prices; otherwise we may opt to restore the old situation in which the economy lacked vigor and both wages and commodity prices were long frozen. Such a situation is obviously detrimental to economic development and to the improvement of the people's living standards, and is disliked by most people. The crux of the matter is that we should strive to ensure that the increase in the people's income is not lower than the increase in commodity prices and that the people's living standards will constantly improve on the basis of the development of production. It is obvious to all that we have basically done so in the course of reforming the pricing system in the past few years. Of course, the increase in commodity prices has different effects on different people because they have varying incomes, consumption styles, and numbers of family members to support. A small number of people whose income has not increased much indeed are experiencing difficulties in their livelihood at present. In fact, the living standards of some of them have even dropped somewhat. We must not ignore this fact, and we must strive to solve this problem in the course of further economic development.

Some localities, departments, and enterprises, taking advantage of the reform of the pricing system, are arbitrarily collecting fees, boosting prices, charging higher prices in disguised form, seriously violating the consumers' interests, and causing complaints among the people.

We must resolutely correct them. From now on, we must adhere to a correct set of principles to reform the pricing system, continue to implement the principle of integrating readjustment with decontrol and making steady progress, and act prudently to ensure more satisfactory results.

The reform this year is limited to readjustment and decontrol of the prices of a small number of products that must be changed. We must keep this year's increase in commodity prices as a whole smaller than last year's increase. We should continue to give play to the role of state-owned commerce in appraising commodity prices. In particular, we must surely improve price control and strictly prohibit arbitrary price increases of various forms and price increases in disguised form. This is an important law and a discipline that must be resolutely enforced. We welcome the broad masses of people to strengthen their supervision over this.

There is another problem in the process of reform which arouses widespread concern among the people and which demands our attention, namely, how to correctly handle the relationship of interests among various quarters. Along with the gradual transition from the old to the new economic structure, the economic relationship and the relationship of interests among various quarters must be appropriately readjusted and they must undergo changes. The existing structure of interests and relationship of distribution will be gradually eliminated, and a new, rational structure of interests and relationship of distribution will gradually evolve. As in the case of the overall transition from the old to the new structure, this must necessarily be a gradual process. In terms of the general trend of development, the economic interests of all quarters will increase along with the progress of reform. This has been fully confirmed by the implementation of our reform over the past years. This is also the fundamental reason why our reform has received the people's support. However, the interests will not increase simultaneously for all the people. It is inevitable that some people will benefit both sooner and more than others. There may even be circumstances in which the interests of certain quarters will suffer temporarily. In addition, the readjustment of the relationship of interests cannot be made in one stroke. Those who benefit from one reform measure may lose some of these benefits as a result of another reform measure, and, later, they may be compensated for the losses through still another reform measure. This complex change in the relationship of interests will often affect people's attitude toward reform to a certain extent. This demands that we must enhance our consciousness and avoid acting blindly on this matter. When adopting a reform measure, we must do our best to benefit all quarters concerned so that our reform will always have the support of the broad masses of the people and its success will be guaranteed. At the same time, it is necessary to carry out ideological work thoroughly and painstakingly in connection with the various reform measures to enhance the people's awareness of the protracted and complicated nature of the reform. This will help the people avoid unrealistic, extravagant hopes concerning their individual interests and enhance their mental capacity to endure the reform. In the recent past, some of our propaganda failed to pay adequate attention to this very point. This is a lesson we must bear in mind.

On the question of the distribution of tangible benefits among members of society, we will on the one hand continue to overcome egalitarianism, uphold efforts to achieve rational differences, encourage some people to become better off primarily through hard work, and make people fully aware that this will contribute to the development of the social productive forces and thereby contribute to realizing the goal of common prosperity of all society. On the other hand, high income obtained by reasonable, legitimate, and appropriate means must also be rationally regulated to prevent an excessively wide disparity in income. Reaping staggering profits by illegitimate means must be strictly banned, and persons violating the criminal law must be punished in accordance with the law.



Deputies, opening to the outside world is our fundamental national policy that will not change for a long time to come. We have made great achievements in opening to the outside world, thanks to the efforts of the preceding years. Notable progress has been made in the establishment of the special economic zones, the development of the coastal open cities and open regions, the foreign trade, the use of foreign funds, the introduction of advanced technologies and management experiences from abroad, and other areas of foreign economic and technological cooperation. In 1987, we will open more widely to the outside world and open up new prospects in the effective use of foreign funds, the importation of advanced technology and the earning of more foreign exchange through export so that the policy of opening to the outside world will play a bigger role in our country's economic development and socialist modernization.

Using all kinds of foreign capital and attracting foreign firms to set up joint ventures, cooperative enterprises, or enterprises solely owned by them are important components of our opening to the outside world and important means of supplementing our insufficient domestic funds, increasing our capacity to earn more foreign exchange through export, and raising our country's technological and managerial standards. The various policies promulgated by the State Council offering preferential treatment to foreign businessmen who invest in China must be carried out to the letter. Efforts must be stepped up to improve economic laws pertaining to foreign concerns and to further improve the investment environment for foreign firms.

From our own as well as foreign experience, three principles must be upheld in using foreign funds. First, there must be control over the total amount of foreign loans procured and the pattern of such loans should be rational and commensurate with our ability to repay and make the best use of them. Second, foreign funds must be used for production and construction, with stress on enterprises manufacturing export commodities to earn foreign exchange and producing import substitutes, and on those applying advanced technologies. In addition, such funds must be utilized effectively so that they can yield the best results. Third, the net income from the use of foreign funds must on no account be completely spent. A portion of it must be kept to service foreign loans on time. Only thus can we maintain our country's international credit standing and respectability and secure a firm footing in the family of nations.

The broadening of our opening to the outside world and the development of our international economic and technological cooperation, in the final analysis, hinge on the increase of our country's ability to earn foreign exchange through exports. To increase foreign exchange earnings, we must focus on promoting the development of production; raising product quality; improving product design, color, and varieties; and enhancing our competitiveness in the international market. It is necessary to make the most of our country's favorable conditions -- its rich human resources and lower labor costs -- to vigorously develop export processing industries using both imported raw materials and raw materials provided by importers. It is necessary to promote actively lateral association and cooperation between industry and trade and between agriculture and trade, gradually set up an integrated system for the production of export commodities, develop those industries that can earn foreign exchange, and make export-oriented enterprises better informed so that they will produce strictly according to the demand of international market and that a firm foundation will be laid for a sustained, steady development of our exports. It is necessary to further readjust the mix of our export commodities to adapt to the changes in the international market. It is necessary to increase as soon as possible the export of manufactured industrial goods, especially light and textile industrial products and electronic and machinery products. It is necessary to vigorously develop cooperation and association in the export, production, and management fields, and set up a sound marketing and service network to open up new international markets.



It is necessary to develop the special economic zones, the coastal open cities, and the open regions into export-oriented economic structures to make the most of their favorable positions in export development. It is necessary to strengthen business accounting, strive to reduce export costs, control the export of commodities that incur large losses, and improve economic effectiveness.

While endeavoring to increase foreign exchange earnings through exports, it is necessary to develop tourism, undertake more contracted projects abroad, and supply labor to foreign countries so as to make them an important means for China to earn more foreign exchange.

Not only must we export more and earn more foreign exchange, we must also rationally and economically use foreign exchange to maintain a balance of payments in foreign exchange. We must use our limited foreign exchange revenues where they are most needed for our economic development so that they can bring better results. It is necessary to strictly control the import of general commodities. Import of commodities that can be produced domestically or that can be substituted by domestically made products should be restricted or stopped without exception. It is necessary to develop the production of import substitutes and increase the ratio of domestic production.

We must also seriously summarize our experience and work out a program for overall reform of the foreign trade system that will facilitate the unified approach to trade relations with foreign countries and bring into play the initiative of all quarters. We must systematically carry out this program to create favorable conditions for further developing our foreign economic relations and trade.

#### 4. Strengthen and develop political stability and unity.

China's construction, reform, and opening to the outside world cannot be carried out even for a moment without political stability and unity. The central task right now in the political-ideological field is to extensively and profoundly carry out education in upholding the four cardinal principles, oppose bourgeois liberalization, and at the same time seriously strengthen the building of socialist spiritual civilization to consolidate and develop political stability and unity and safeguard from the very root the smooth progress and sound development of our construction, reform, and opening to the outside world.

Upholding the four cardinal principles, namely keeping to the socialist road, upholding the people's democratic dictatorship, upholding the leadership of the Communist Party, and upholding Marxism-Leninism-Mao Zedong Thought, is a common political foundation written into our Constitution for the people of all nationalities throughout the country to struggle in unity. It constitutes the cornerstone of the state and the cardinal guideline for its administration. The essence of bourgeois liberalization is to oppose the four cardinal principles and to break away from the leadership of the Communist Party and negate the socialist system in favor of capitalism.

Owing to the recent weak and lax leadership on the ideological front; and inadequate attention to and lack of support for the propagation of Marxism, as well as a laissez-faire attitude toward bourgeois liberalization, erroneous ideas have spread that run counter to the law of historical development and the people's will. This has confused some people, fooled inexperienced young people who do not understand history, affected stability and unity, and obstructed the process of construction, reforms, and opening to the outside world.

Although the causes of student unrest in some cities toward the end of last year differed from place to place and from school to school, they were basically a result of the spread of the ideological trend of bourgeois liberalization. Should such ideas be allowed to continue spreading unchecked, they will influence more people -- and particularly mislead some young people -- and make our country a chaotic society in which construction and reforms cannot possibly proceed normally. This is why we say that the struggle against bourgeois liberalization concerns the success or failure of socialist modernization and the future and fate of the country. In this struggle, we must take a clear-cut stand and a firm attitude, and by no means should there be any wavering. Thanks to the work accomplished over the past several months since late last year, the serious spreading of the ideological trend of bourgeois liberalization is being rolled back. However, great efforts must be exerted before we can eradicate the pernicious influence caused by this erroneous ideological trend. Meanwhile, we must direct all our attention to the following tasks: First, we must continue to thoroughly denounce the erroneous views of bourgeois liberalization; second, we must earnestly carry out positive education on upholding the four cardinal principles; third, we must continue to shake up, reinforce, and strengthen the bastions of public opinion; fourth, we must earnestly intensify and improve the ideological and political work on all fronts, especially in schools; and fifth, we must energetically strengthen the training of Marxist theoretical workers. Moreover, in order to provide meticulous guidance for this struggle, we must intensify research and continue to sum up experiences.

The fundamental purpose of opposing bourgeois liberalization is to rally, even more closely, people of all nationalities throughout the country to do an even better job in carrying out overall reform, in opening to the outside world, and in building a socialist society with Chinese characteristics more successfully on the basis of upholding the four cardinal principles. The lines pursued since the 3d Plenary Session of the 11th CCP Central Committee are basically two; Upholding the four cardinal principles; and implementing the policy of carrying out reforms and opening to the outside world. Without upholding the four cardinal principles, political stability and unity will be undermined, and reforms and opening up will have no fundamental political guarantee and may even go astray; and without reforms and opening up, socialist construction will come to a halt and ossify, social productive forces will not be fully developed, and the four cardinal principles cannot be truly and effectively upheld in real life. Upholding the four cardinal principles does not contravene the policy of carrying out reforms, opening to the outside world, and enlivening the domestic economy. They are two inseparable parts complimenting each other, forming an integral body. In review of the recent spreading of the ideas of bourgeois liberalization, the current emphasis on upholding the four cardinal principles and opposing bourgeois liberalization is specifically for the purpose of implementing more properly and fully the lines adopted since the 3d Plenary Session of the 11th CCP Central Committee. It absolutely will not, and absolutely can not, affect the process of carrying out reforms and opening to the outside world. We must realize that some people are not soberminded enough, although they favor reforms and opening up; and that some people are not mentally emancipated enough while they emphasize the need to uphold the four cardinal principles. These are problems of understanding. By distinguishing right from wrong by denouncing the ideas of bourgeois liberalization, and as a result of the increasingly noticeable successes we have achieved in the course of carrying out reforms and opening to the outside world, we believe that those people who do not fully understand the lines adopted since the 3d Plenary Session of the 11th CCP Committee will, in the course of doing their work, heighten their understanding and join us in the struggle to build a socialist society with distinctive Chinese characteristics. [applause]

The struggle against bourgeois liberalization is an arduous, complex, and protracted one. In addition to being firm and persevering, we must also have proper policies and measures and always convince people by reasoning.

We must earnestly learn our lessons from our experiences. This means that we must not resort to political movements, and must absolutely not repeat our previous mistakes. During the course of the struggle over the past several months, we have pursued a series of proper principles and policies. Essentially they are: The struggle against bourgeois liberalization must be strictly confined within the CPC and must primarily be carried out within the ideological and political spheres; it must deal primarily with issues concerning fundamental political principles and political orientation; and it will have nothing to do with (the discussion concerning) policies for economic reform, rural policies, scientific and technological research, or literary and art styles or skills, as well as the people's daily conduct. The struggle will not be launched in the rural areas; only positive education will be carried out in factories and official organs; no assignments will be handed down from one level to another; there will be no establishment of ties with upper or lower departments; and there will be no test for everyone to pass. We must strictly identify those few people who have wildly attempted to uphold bourgeois liberalization and have consistently opposed the four cardinal principles, and distinguish them from those who have embraced certain liberal views but who have not stubbornly adhered to their opinions, and who are discipline-abiding. We must uphold the principle of uniting with the majority of people. We must strictly distinguish non-Marxist academic views, and works with common errors as well as mistakes made in doing exploratory work, from bourgeois liberalization. As for the different views in academic, theoretical, cultural, and art spheres, they should continue to be settled through free discussion, criticism, and counter criticism, on the basis of constitutional provisions. The handling of people must be very cautious. While we must earnestly criticize and help those who have committed mistakes of advocating bourgeois liberalization, we must give them ample time to think, and welcome their self-criticism. For those people who have said or written something wrong under the influence of the ideas of bourgeois liberalization, we should encourage them to heighten their understanding in the course of study and practice. For those who have stubbornly adhered to bourgeois liberalization, even though they have been removed from leading posts, we should still place them in proper posts where they can continue to function fully utilizing their areas of specialization.

Actual experiences have proven that these principles and policies have effectively ensured the struggle's sound development. From now on, we must continue to adhere to these principles and policies. Here I should like to solemnly declare once again that, throughout the process of combating bourgeois liberalization, our general plan of pooling together our resources to develop social productive forces and intensifying socialist material and spiritual construction around the central task -- economic construction for modernization -- will remain unchanged. Nor will these be changed: The general policy of carrying out overall reforms and opening to the outside world; the current policies for rural and urban areas; the general policy of consolidating and developing the patriotic united front; the policy of continuing to encourage a hundred flowers to blossom and a hundred of schools of thought to contend; and the policy of respecting knowledge, proficient personnel, and giving full play to the role of intellectuals. Not only will they remain unchanged, but they will also be upheld more correctly and effectively on a long-term basis. [applause]

Continuing to promote socialist spiritual construction has been a strategic principle that we have consistently upheld. It is also an important objective that we must reach in combating bourgeois liberalization. Governments, at all levels, must adopt genuinely effective policies and measures and work hard to upgrade the nation's ideological and moral standards as well as scientific and cultural proficiency so as to provide strong spiritual power and intellectual support needed in our modernization drive and overall reforms. In the course of socialist spiritual construction, they must earnestly strengthen and improve their ideological and political work.



Attaching great importance to ideological and political work is our fine tradition, which is a powerful guarantee for success in everything. To keep pace with the new needs in reforms, opening to the outside world, and enlivening the domestic economy during the new historical period, ideological and political work must be strengthened, not weakened. To strengthen ideological and political work, we must improve it, otherwise it will be increasingly hard for us to strengthen it. This is a new problem to be resolved with great efforts by all enterprises, schools, official organizations, military units, and all trades and professions in the country.

We should take a clear-cut and bold stand in propagating the four cardinal principles, international and domestic situations, and party and government principles and policies. We should persist in presenting the facts, reasoning things out, and resorting to patient persuasion. We should stress practical results; avoid formalism and oversimplified and crude ways of doing things; educate and inspire the masses in the common ideal of the four socialist modernizations; and mobilize the people to enthusiastically plunge into construction and reform.

Schools at all levels -- especially institutes of higher learning -- that are charged with the glorious duty of educating and prevailing on the people, should increasingly intensify and improve ideological and political work. It is necessary to combine theory with practice, step up reforms of educational substance and methods, and actively provide conditions to help the teaching staff understand the actual situation so that they can lead the students, in a guided and organized manner, to participate in social practice for the purpose of broadening their horizons and enriching their knowledge.

Governments, at all levels, should show concern for and lend support to educational work, continue to strive to improve the living conditions of the broad masses of teachers, and effectively step up and conscientiously improve the administrative and logistic work. It is necessary to extensively implement the state educational policy; strive to upgrade the all-round qualities of the educated and cultivate generation after generation of new socialist people with ideals, moral integrity, education, and discipline.

In building socialist spiritual civilization, it is necessary to make further efforts to promote the development and thriving of various cultural undertakings. Leading party and government papers, political publications on current events, and radio and TV media should thoroughly and accurately propagate party and government principles and policies in accordance with their own characteristics, and give full scope to the creative, dedicated, and keenly exploratory spirit of the people. They should convey the suggestions and views from people of all sectors concerning party and government work and their criticisms against responsible persons; provide timely and accurate information to the people as well as the party and government; offer correct guidance to social opinions, and feed the broad masses of readers with sound spiritual fare.

It is necessary to promote culture and art in order to foster the people's moral values and enrich the people's spiritual lives. Our writers and artists should listen to the calls of the people and the times, plunge into the thick of life, profoundly reflect the times, and create increasingly excellent works that mirror the spiritual civilization. They should serve the people better, further develop the publishing industry, reform the publication and distribution system, and provide the people with better books. Governments, at all levels, should stress the building of libraries, cultural establishments and stations, museums, cinemas and theaters, and other mass cultural facilities, and incorporate this task into the overall economic and social development plan for implementation in a systematic and gradual manner.



In social science research, it is necessary to apply the Marxist stand, viewpoint, and method; conduct creative research into new situations, experiences, and issues in connection with socialist modernization and reform; explore the laws for building socialism with Chinese characteristics, and develop the scientific theory of Marxism in the course of social practice. In cultural and artistic creation and academic research, it is necessary, under the principle of abiding by the Constitution, to continue to exercise creative freedom, academic freedom, freedom of discussion, and freedom of criticism and counter criticism, and to encourage pursuing bold explorations in practice.

We should persist in stepping up the building of socialist spiritual civilization in the course of opening to the outside world and conscientiously absorb all superior ideological and cultural achievements of foreign countries. However, it is necessary to conduct scientific analyses and appraisals of Western theories of philosophy and social sciences and ideological trends of literature and art from the viewpoints of Marxism, instead of blindly worshipping them. Furthermore, creative efforts based on decadent capitalist outlooks on life and values as the so-called new concepts should be avoided. Otherwise, they will corrupt the people's thoughts and souls. In launching scientific and cultural endeavors, the primary task of which is to produce and disseminate spiritual products, it is also necessary to improve operations and strive to upgrade the economic results. However, it is essential to persist in making social benefits the highest criterion.

The state will continue to give moral encouragement and material rewards to units that make important contributions to the building of socialist spiritual civilization and the development of various cultural undertakings as well as to those who produce outstanding creative works or achieve remarkable results in research and to recognize ideological and cultural workers who make outstanding achievements.

It has always been our firm and unshakable objective to develop a high degree of socialist democracy with distinctive Chinese characteristics. We oppose the erroneous ideological trend of beautifying bourgeois freedom and democracy and do not favor the practice of mass democracy precisely because we want to better develop socialist democracy. Proceeding from China's actual conditions, we must take practical measures to continuously promote, in a well-guided and systematic way, the development of democracy in the political, economic, and social life of the state and particularly to invigorate democratic life and improve democratic management in basic units. We must give full play to the socialist enthusiasm and creativity of the broad masses.

The leading bodies and responsible personnel of governments, at all levels, now should vigorously take the initiative in opening various channels through which to maintain a dialogue with the broad masses. They should promptly publicize principles, policies, work plans, achievements in construction and reform, and difficulties and problems in work among the masses or explain them to the latter. At the same time, they should seriously listen to the opinions and voices of the masses, accept reasonable suggestions and correct criticisms, resolutely overcome bureaucratism, effectively improve their workstyle, strive to raise their work efficiency, and serve the people still more enthusiastically and effectively.

Through dialogue, we can exchange views, increase mutual understanding, clear up our misunderstanding, and, under socialist conditions, build and develop a new type of relationship among the people in which the people enjoy democracy, are united, help one another, and advance together. This is an important aspect in developing socialist democratic politics.

While strengthening the work of inspection in [words indistinct], we should pay full attention and give full play to the supervisory role of the CPPCC and various democratic parties as well as to the supervisory role of the trade unions, CYL organizations, women's federations, and other mass organizations and public opinion. At no time must one be allowed to suppress democracy on the pretext of opposing bourgeois liberalization. Under no circumstances must one be allowed to resist or even retaliate against those who correctly criticize shortcomings and mistakes in practical work.

Socialist democracy, as a new-type state system, has not yet been perfected, and it requires a long process of gradual development. We must carry out the political structural reform in a orderly way, from top to bottom, and gradually perfect the political structure on condition that we uphold CPC leadership, keep to the socialist road, and consolidate and develop the political situation of stability and unity. At present, we are conducting thorough and systematic investigations and studies, on the basis of which we are prepared to work out a feasible reform plan according to China's conditions. We will further define the principles, contents, key points, and steps for the political structural reform and then put them into practice in order to meet the requirements for the in-depth development of the economic structural reform and socialist modernization.

Ours is a multinational country. It is of great importance to continuously strengthen the great unity of all nationalities throughout the country. We must further carry out in-depth education among the cadres and masses of the Marxist conception of nationalities, nationality policy, and the unity of nationalities in order to continuously promote the development of new-type socialist relations among various nationalities. Various government departments and economically developed areas should strive to increase their support and assistance to areas inhabited by minority nationalities so as to accelerate their economic and cultural development. Conscientious efforts should be made to implement the Law on Regional Autonomy for Minority Nationalities in order to improve our country's system of regional autonomy for minority nationalities with each passing day. The patriotic spirit of ardently loving the motherland and revitalizing China should be greatly developed through extensive propaganda and education. Compatriots of all nationalities throughout the country should be united to work together to strengthen the unification of the motherland and to build socialism with distinctive China characteristics.

The socialist legal system is a guarantee for socialist democracy and the building of socialist material and spiritual civilization. We should further strengthen and perfect the socialist legal system; we should ensure that the law is observed, that its enforcement is strict, and that lawbreakers are dealt with; and we should unwaveringly implement the principle that everyone is equal before the law. Effective measures should be taken to ensure the normal progress of all-round reform and all work and a long period of order and stability in the country and to guarantee that citizens' legitimate rights and interests are not infringed.

All government functionaries must further raise their awareness with regard to the legal system, strengthen their concepts on the law, and take the lead to become models in observing and enforcing the law. While earnestly summing up our experience, we must specifically strengthen our leadership over our work to popularize legal knowledge among all citizens so that we can carry out such work even more effectively and in a down-to-earth manner.

Various districts, departments and units must conscientiously study and implement the decision adopted not long ago by the NPC Standing Committee on strengthening education with regard to the legal system and on safeguarding stability and unity.

Various public security and judicial departments and the broad masses of the people's police forces must continuously strive to improve their political and professional qualities, and foster the professional ethics in remaining honest, civil, courteous, loyal and active in strictly enforcing the law and performing all official duties. They must foster a fine style in doing police work, and improve relations between the police and the people.

We must, according to law, continue to strike at all hostile elements who seek to undermine the socialist system, punish all economic criminals and other criminal offenders, and ban all activities that disrupt social order. We must swiftly and correctly mediate and handle issues between the people, solve contradictions in society, do a good job in maintaining social order in an all-round manner, and ensure social stability.

Deputies, our nation's program for socialist modernization is a great cause that requires the consistent painstaking efforts of people for several generations as well as a steady and peaceful international environment over a long period of time. Although the present international situation remains complex and the factor of war still exists, the forces of peace have been continuously growing. With the joint efforts of all the people in the world, it is entirely possible to attain world peace.

China has always followed an independent foreign policy of peace. This policy has received increasingly widespread acclaim from various countries in the world. In doing our work in foreign affairs during the past year, we have once again won a series of fresh achievements. China's relations of friendship and cooperation with other countries in the world have been further consolidated and expanded. China's unremitting efforts in promoting cooperation and development, in maintaining peace and realizing world disarmament are universally acclaimed in the world.

As an important force of peace, China has drawn increasing attention from the international community. China persistently upholds the policy of acting independently, refuses to enter into an alliance with the superpowers, and strives to establish and expand the relations of friendly cooperation with various countries on the basis of the five principles for peaceful coexistence. This not only meets the needs of China's efforts to realize its magnificent goal of economic invigoration, but also furnishes a powerful stimulus to the cause of world peace and development, and completely conforms to the basic interests of the people in China as well as those in the world. We will unswervingly follow our independent foreign policy of peace over a long period of time, no matter what kind of problems we encounter on our road of advance and what kind of changes take place in the international situation. [applause]

China's proposal to achieve its goal for peaceful reunification in the country according to the form of one country, two systems has won increasingly popularity. The Sino-British agreement on the question of Hong Kong is being smoothly implemented. As always, China will implement the series of principles and policies with regard to Hong Kong, which are included in the agreement. The Sino-Portuguese talks on the issue of Macao have also been successfully concluded. A relevant agreement will be initialed by the government delegations of the two countries tomorrow. [applause] This is another example of success in solving the issue of China's reunification according to the principle of one country, two systems and another important step in finally achieving the goal of complete reunification of China. The principle of peaceful reunification and of one country, two systems is also a reasonable one for solving the issue of Taiwan. More and more compatriots in Taiwan have understood this principle. We earnestly hope that the compatriots in Taiwan will continue to bring their patriotic spirit into full play, and take advantage of their own strong points in realizing China's reunification.



We also hope that the compatriots in Hong Kong and Macao and Overseas Chinese will continue to play their role well as a bridge in strengthening the ties and contacts in all fields between the two sides of the Straits. We also hope that the Kuomintang authorities in Taiwan will set store by the interests of the state and the nation, and adopt firm steps for China's great cause of peaceful reunification. [applause]

In short, the current domestic and international situation is favorable to construction and reform in our country. It is our firm and unshakable objective, under the leadership of the CPC to continuously strengthen the great unity of all nationalities across the country, to continuously develop our friendship and cooperation with various countries and their people, to continuously push forward the great cause of building socialism with distinctive Chinese characteristics, and to strive to realize the peaceful unification of the motherland. No force or interference can stop us from advancing. We are full of hopes for the future of our country and are full of confidence in scoring victories. [applause]

SONG FONG ADDRESSES NPC ON SOCIOECONOMIC PLANS

Development Plan, Budget Report

OW260152 Beijing XINHUA in English 0144 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- Deputies to the current Fifth Session of the Sixth National People's Congress (NPC) met here this morning to hear reports on the Draft 1987 Plan for National Economic and Social Development and on the Draft State Budget for 1987.

In his report, Song Ping, state councillor and minister in charge of the State Planning Commission, said that China's construction and reform went smoothly in 1986. The tasks set in the plan for 1986 were all fulfilled, there were encouraging achievements in every field of endeavor, and the economy grew steadily. All this has laid a solid foundation for the implementation of the new five-year plan (1986-1990), he noted.

Song said that the 1987 plan for national economic and social development essentially sets forth the tasks of achieving a basic balance between total demand and total supply and maintaining a steady development of the economy. These are to be accomplished by conducting a vigorous campaign to increase production, practise economy, raise revenue and reduce expenditure, and by deepening the reform to further invigorate the large and medium-sized enterprises and strengthening agriculture for continued growth.

In his report, Wang Bingqian, state councillor and minister of finance, pointed out that in 1986, China's industrial production resumed its normal growth rate, rural economy grew steadily, the supply and demand of most commodities were normal, and the life of the overwhelming majority of urban and rural residents improved in varying degrees.

At the same time, notable progress was achieved in the deep-going economic structural reform and improvement of macro-economic control. And with the development of the national economy, state revenue in 1986 overfulfilled the budgeted figure, Wang said.

However, he said, owing to various reasons, expenditures in 1986 exceeded the budget by wide margins, resulting in a deficit of 7.08 billion yuan.



The 1987 state budget was drawn up according to the following basic principles: to enhance economic efficiency through increasing production and practising economy, foster and open up new sources of revenue so as to ensure a steady increase in state revenues; to firmly curtail the jacked-up expenditures which ought to have been reduced, rationally allocate and use funds in conformity with the principle of "ensuring the implementation of the reform and the completion of key construction projects and keeping necessary reserves for a sustained economic development in future along a virtuous circle"; to continue to raise the living standards of urban and rural residents on the basis of increased production and improved labor productivity.

Today's meeting was presided over by Wang Renzhong, vice-chairman of the NPC Standing Committee.

#### Socioeconomic Development

OW260208 Beijing XINHUA in English 0131 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- State Councillor Song Ping today said that 1986 was a year in which there were fresh, encouraging achievements in every field of endeavor and the economy grew steadily.

Delivering his report at the Fifth Session of the Sixth National Congress here today, Song, also minister in charge of the State Planning Commission, said that all this has laid a solid foundation for the implementation of the five-year plan (1986-1990).

Speaking on the implementation of 1986 economic, social development plan, Song listed achievements made in the following aspects:

First, the rural economy has been growing on the basis of increased grain production. In 1986, the total grain output was 391,090,000 tons, representing an increase of 11,980,000 tons over 1985. The annual total value of agricultural output grew by 3.5 percent over the previous year, surpassing the projected growth rate of 3 percent.

Second, industry, which had been developing at a super-high rate in 1985, slowed to a normal pace, maintaining an appropriate rate of growth. Total annual output value of industry rose by 11.1 percent, or 9.2 percent excluding village industrial undertakings -- that is, slightly more than the planned 8 percent.

Third, investment in fixed assets was kept from growing too fast and construction of key projects was accelerated. Investment in capital construction saw an increase of 7.3 percent, which was much lower than the 44.6 percent increase in 1985. Ninety-six large and medium-sized projects and 165 single items were completed and put into operation. Capacity for electricity generation, coal mining, oil extraction and steel production and the freight-handling capacity of railroads and ports expanded more than in any year in the past decade.

Fourth, the domestic market was thriving and more commodities were in adequate supply. The total value of retail sales in 1986 came to 495 billion yuan, an increase of 15 percent, or 8.5 percent after allowing for price rises. The ample supply of commodities on the market helped keep the rise of the retail price index down to the 6 percent level projected in early 1986, as against 8.8 percent in 1986.

Fifth, economic and technological exchange with foreign countries continued to expand. Total annual export volume reached 30.9 billion U.S. dollars, a 13 percent increase over the previous year. Limitations were imposed on import, whose total volume was 42.9 billion U.S. dollars, 1.6 percent more than in 1985. Progress was made in the use of foreign capital and in the introduction of technology. A total of 4.8 billion dollars' worth of foreign loans was actually used, somewhat more than in the previous year, and there was a marked increase in the proportion of productive projects funded directly by foreign businessmen.

Sixth, science, education, culture, public health and sports have developed further. More than 4,000 technological development projects were included in the "sparking plan" designed to invigorate the rural economy.

Seventh, the people's living standards in both town and country have been raised. A sample survey shows that per capita income available for basic living expenses reached 828 yuan, an increase of 20.9 percent over the preceding year, or 13 percent after adjustment for price rises, average per capita net income of peasants was 424 yuan, an increase of 6.7 percent, or 3.2 percent after allowing for price rises.

Eighth, economic restructuring progressed on the basis of the consolidated achievements of the past few years.

However, Song also said, though major achievements have been scored in every field of work, there are still some problems in the economy demanding urgent solution. The chief ones are as follows:

Fixed assets projects under construction are on too large a scale in the society as a whole, with too small a proportion devoted to key projects; consumer demands are growing too fast; there is a deficit in state revenue and the prices of some commodities have soared; and there is an imbalance in receipts and payments of foreign exchange.

Song pointed out that the problems are those encountered not by a declining economy but by a growing one and so long as the country continues to push the reform, the problems will be solved.

#### 1987 Development Plan

OW260239 Beijing XINHUA in English 0219 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- China will score a four percent rise in agricultural output value and a seven percent increase in industrial output value this year, State Councillor Song Ping announced here today.

In his report to the annual session of the National People's Congress, Song, who is also minister in charge of the State Planning Commission, listed the following figures in the country's 1987 plan for national economic and social development:

- Agricultural output value will reach 313.5 billion yuan;
- Grain output will be 405 million tons, 13.9 million more than in 1986;
- Industrial output value will come to 1,100 billion yuan;

- Generators with a total capacity of 5.5 to six million kilowatts will be installed;
- 538 kilometers of new railways will be put into operation, another 532 kilometers of railways will be double-tracked and still another 677 kilometers will be electrified;
- Regular colleges and universities will enrol 620,000 students and 45,000 postgraduates;
- Total wages of workers and other employees will rise by 14 billion yuan; and
- Total volume of retail sales will grow 12.1 percent to reach 555 billion yuan.

According to Song Ping, the 1987 plan for national economic and social development sets forth the following tasks: to achieve a basic balance between total demand and total supply and to maintain a steady development of the economy. "These are to be accomplished by conducting a vigorous campaign to increase production, practise economy, raise revenue and reduce expenditure," he noted.

To accomplish these tasks, the following must be done:

- Strengthen agriculture by investing more to bring about a greater increase in the output of grain and other farm and sideline products urgently needed by the society;
- Readjust the structure of industrial production, with emphasis on the product mix of the textile industry and other light industries and of the machine-building and electronics industries;
- Strengthen the construction of key projects and increase the capacity of the energy, raw and semi-finished materials, transportation and communications industries;
- Adhere to the policy of opening to the outside world and expand export in order to earn more foreign exchange;
- Undertake a number of key scientific and technological projects and train more skilled people; and
- Improve the living standards of both urban and rural residents on the basis of expanded production.

To fulfill 1987 tasks, Song Ping said, it is imperative to launch the campaign to increase production, practise economy, raise revenue and reduce expenditure throughout the country, to deepen the economic structural reform with focus on further invigorating large and medium-sized enterprises.

He stressed the necessity to further shift the focus of work to the improvement of economic performance, further readjust the investment pattern, cut back unreasonable, nonproductive expenditures, and tighten control over foreign exchange and foreign loans and make effective use of them.

## Export Expansion, Exchange Control

OW260258 Beijing XINHUA in English 0236 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- Chinese State Councillor Song Ping today called for greater efforts to expand export in order to earn more foreign exchange.

Song, who is also minister in charge of the State Planning Commission, told the on-going Fifth Session of China's Sixth National People's Congress which opened here Wednesday that policies and measures should be further improved to encourage export and greater efforts should be made to open up new world markets and thus overfulfill its export quotas.

He urged all Chinese enterprises manufacturing exports to improve the quality and increase the variety of their products in the light of world market demand, faithfully observe contracts and ensure timely delivery.

He said that China should also expand tourism and send more labor abroad and at the same time strictly control foreign exchange expenditure on invisible trade.

He also said that China must continue to tighten control over import, so that it can spend its limited foreign exchange purchasing advanced technology, key equipment and those raw and semi-finished materials that are in short supply so as to increase export goods production capacity.

In 1987, Song said, China must continue to improve the special economic zones and develop the coastal cities and regions that are open to the outside world.

It should also strengthen control over foreign exchange and foreign loans to see that they are most efficiently used.

Beginning from this year, Song said, China will reform the current import system in such a way as to tie the powers and responsibilities to the interests of all who foreign exchange.

"Foreign funds are to be used only for the development of production, and chiefly for export-oriented enterprises with a high rate of foreign exchange earnings, for enterprises manufacturing import substitutes and for enterprises that are technologically advanced," he said.

WANG BINGQIAN ADDRESSED NPC ON 1986 BUDGET

OW260308 Beijing XINHUA in English 0242 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- Chinese State Councillor and Minister of Finance Wang Bingqian said here today that China's state revenues in 1986 overfulfilled the budgeted figure.

However, he added, owing to various reasons, expenditures exceeded the budget by wide margins, resulting in a deficit of 7.08 billion yuan.

Wang was making a report to the current session of the National People's Congress on the implementation of the 1986 state budget and the draft of the 1987 budget.



He said the state revenues in 1986 totalled 222.3 billion yuan, or 10.3.7 percent of the budgeted figure.

He also said state revenues were affected to a certain extent by the steep fall in oil prices on the world market, the decline in the prices of primary products, the rising costs to earn foreign exchange through exports as well as the decrease in income from customs duties.

State expenditures last year amounted to 229.11 billion yuan, or 207 percent of the budgeted figure, he said. Wang attributed the deficit in 1986 mainly to the increased expenditure in the implementation of the budget.

Among the expenditures which exceeded the budget by a big margin were those for capital construction, exceeding by 8.79 billion yuan; for tapping the potential of the existing enterprises, financing their technological transformation and subsidizing the trial manufacture of new products, exceeding by 6.38 billion yuan; for culture, education, science and public health services, by 2.3 billion yuan; administrative expenses, by 2.21 billion yuan.

Of the overspendings, he said, some were justified and necessary, such as appropriate increase of the construction investment in energy and transport, of the input for agriculture, of the expenses for culture, education, science and public health services, and of funds for helping people tide over natural disasters.

However, he said, some were unjustified. Among the examples he listed were excessive investments outside of the plan, the fact that the processing industry developed too fast in many places and some projects could not go into normal operation after their completion due to shortage of power supply, the cases that some localities and departments constructed a large number of non-productive facilities such as high-class office buildings, auditoriums and hotels, and cases that some units sought after ostentatiousness and extravagance and wasted state funds.

Wang said deficit gives expression to problems arising in economic life. The investment in fixed assets of state enterprises increased by 15.3 percent in 1986 on the basis of a 41.8 percent rise over the preceding year; consumption funds rose by 12.5 percent on the basis of a 23.7 percent increase over 1985, both exceeding the growth rate of 7.4 percent of the national income, Wang said.

Another noteworthy thing, he said, is that great changes in the structure of revenue and expenditure have taken place in recent years in the wake of economic reform and delegation of powers to lower levels. The proportion of state revenues in national income dropped from 31.9 percent in 1979 to 25 percent, and the revenues for central financial departments now only account for about 50 percent of state revenues. These changes, he said, have affected the balance of revenues and expenditures, especially that of the central financial departments.

#### Explains Budget Deficit

OW260316 Beijing XINHUA in English 0253 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- China's Draft State Budget for 1987 projects total state revenues at 237.929 billion yuan and total expenditures at 245.946 billion yuan, for a deficit of 8.017 billion yuan.

These figures were disclosed by Wang Bingqian, Chinese state councillor and minister of finance, at the Fifth Session of China's Sixth National People's Congress here today.

Explaining the projected deficit, Wang said that China has to attend to a lot of things immediately. Measures taken by the state to invigorate enterprises and strengthen reserves for continued agricultural development will require 11 billion yuan for tax reduction and increased subsidies.

Besides, he said, the state needs adequate allocations to speed up the construction of key projects in the energy and transport industries and to increase investment for the development of intellectual resources. At the same time, continuous improvement of the people's living standard also requires state expenditures.

He warned that although the emergence of a small deficit in certain years in the course of economic development is unavoidable, China should adopt a cautious approach to financial deficits.

In the execution of the state budget of this year, no effort should be spared to increase revenue, tighten the control over spending and try to keep the deficit to the minimum, he added.

According to the Draft State Budget for 1987, the country's domestic receipts will account for 223.329 billion yuan, and foreign loans for 14.6 billion yuan, with an increase of 6.73 billion yuan.

The increase in foreign loans, Wang explained, is mainly because the key projects arranged under the Seventh Five-Year Plan will be started this year or have already been launched and most of the foreign equipment required will arrive within a short period.

The essential breakdown for 1987 expenditure includes budgetary expenditures for capital construction: 65.593 billion yuan, about the amount in last year; expenditure for agriculture: 12.445 billion yuan, an increase of 400 million yuan; operating funds for culture, education, science and public health services: 38.778 billion yuan, an increase of some 800 million yuan over last year; and expenditures for national defense: 20.376 billion yuan, an increase of 250 million yuan. Funds to tap the potential of existing enterprises, finance their technological transformation and subsidize trial manufacturer of new products are reduced by some 1.8 billion yuan while administrative expenses are cut by one billion yuan, compared with last year's budgetary figures.

To control deficit, Wang said the State Council has decided to reduce all budgetary expenditures by 10 percent on the basis of the estimated figures of last year, except for those for subsidizing price rises and repaying principal and interest on domestic and foreign loans and the funds for the disabled and families of those who die in the line of duty and for social relief and other necessary expenses and appropriations for special purposes.

COMMENTATOR STRESSES CONTINUATION OF OPEN POLICY

HK250724 Beijing LIAOWANG in Chinese No 11, 16 Mar 87 p 1

[Commentator's article: "Unswervingly Carry Out the Policy of Opening Up to The Outside World"]

[Text] We have carried a special report entitled "Steady Development of the Enterprises Jointly Owned by China and Foreign Businessmen" in this issue to reflect the situation of opening up to the outside world in our country.

Setting up enterprises jointly owned and run by China and foreign businessmen, or solely owned by foreign businessmen, is an important aspect of our country's opening up to the outside world. The steady development of these enterprises is a sign of the situation of opening up to the outside world in our country as a whole.

Implementing the policy of opening up to the outside world is a longstanding state policy established after the 3d Plenary Session of the 11th CPC Central Committee. Modern Chinese history over 100 years or so and the experiences of over 30 years since the founding of the country have demonstrated that closing the country to international intercourse can only exert an extremely disadvantageous influence over the economy of our country and nation as well as the development of the society. Nevertheless, opening up the door to extensively carry on intercourse with foreign countries in the fields of economy, technology, culture, and so on; to introduce advanced science and technology and the generally applicable experiences of economic and administrative management along with other useful cultures of the contemporary world including the developed capitalist countries; and to test and develop in practice the strong points of all countries in the world to serve our country are very important to developing the national economy, rapidly changing the backward economic situation in our country, catching up with the developed countries in the world and building a strong, powerful and prosperous socialist China possessing the four modernizations.

The policy of opening up to the outside world is a policy determined after summing up the positive and negative historical experiences and through careful consideration. It is, therefore, completely in keeping with the interests of the state and the people. Practice over the last 8 years has also proved this policy to be very correct.

Over the the last 8 years, steps of far-reaching significance have been made in our country's opening up to the outside world. A multitier layout of "special economic zones -- coastal cities -- coastal economic open zones -- and the interior" with stress on opening up to the outside world has taken shape to gradually develop from the coastal areas to the interior. Our foreign trade with all countries in the world has developed relatively quickly. Moreover, the scale of economic and technological cooperation with foreign countries has been constantly growing, with the scope of cooperation increasingly expanding and the patterns of cooperation diversifying day by day.

So far, with a total of over 7,700 enterprises jointly owned or run by China and foreign businessmen or solely owned by foreign businessmen, the actual foreign investment in our country is growing incrementally. Opening up to the outside world has brought changes to the development of the special economic zones, coastal open cities, and coastal economic open zones and added new vitality to the development of national economy as a whole.

Our country's principle of opening up to the outside world has struck root in the hearts of the people in China and is understood by a growing number of people in foreign countries. Recently, however, some foreign friends have had misunderstandings, doubts and various misgivings about the current struggle against the bourgeois liberalization in our country and whether China will uphold the policy of opening up to the outside in the future, due to an insufficient knowledge about the national condition in China as well as the influence of the propaganda of some newspapers and journals in foreign countries. Some people in China also have confused ideas about these things.

It is natural and understandable that such things have occurred. However, these do not tally with the facts. The bourgeois liberalization and opening up to the outside world are two completely different things. The struggle against bourgeois liberalization will never affect opening up to the outside world. In essence, to advocate bourgeois liberalization is to negate the leadership of the Communist Party of China, oppose the system of socialism, and favor the system of capitalism. This runs counter to the road chosen by the Chinese people to build socialism under the leadership of the Communist Party and is incompatible with the state and political structures stipulated by the Constitution of our country and against the will of the people of the whole country. Moreover, the goal of opening up to the outside world is completely different from the goal of advocating bourgeois liberalization.

The sole purpose of the struggle against bourgeois liberalization is to comprehensively and correctly implement the line, principle, and policy of the 3d Plenary Session of the 11th CPC Central Committee. The line of the 3d Plenary Session of the 11th CPC Central Committee has two basic points: First, to uphold the four cardinal principles; and second, to uphold the principle of reform, opening up to the outside world and invigorating the domestic economy. These two things are an organic whole, run parallel with each other, and each is indispensable to the other. Without the four cardinal principles, the state cannot possibly maintain stability and unity and we cannot ensure a correct political direction for the reform, opening up to the outside world and invigorating the domestic economy. Nevertheless, if we do not engage in reform, opening up to the outside world and invigorating and domestic economy, we cannot possibly succeed in building socialism with Chinese characteristics. Only by implementing the principle of opening up to the outside world and invigorating the domestic economy can we promote the economy, vigorously develop the social productive forces, make the country powerful and the people rich, truly demonstrate the strong points of socialism and enhance the confidence of the broad masses of the people in upholding the leadership of the party and the road of socialism. Therefore, opposing bourgeois liberalization and upholding the four cardinal principles does not mean abolishing opening up to the outside world. Instead it will further promote the better implementation of the policy of opening up to the outside world.

The proposition to criticize and negate "total Westernization" will never affect opening up to the outside world, either. What is "total Westernization?" According to some advocates, it "includes studying all Western science, technology, culture, politics, ideology, and morality" and "includes our political system and ownership system" and that in sum China should be totally Westernized. Therefore, "total Westernization" is not just a geographical concept but a political concept meaning to totally negate the road of socialism in China and totally adopt the capitalist system of the West. The goal of opening up to the outside world and studying and introducing advanced science and technology, the generally applicable experiences of economic and administrative management as well as other useful cultures in the contemporary world is to serve our country and build a socialist China, rather than introducing the capitalist ideological system and social system which safeguard exploitation and suppression. [paragraph continues]



"Total Westernization" favors the capitalist road, thus completely violating the fundamentals of the adopted policy of opening up to the outside world. Criticizing and negating the fallacy of "total Westernization" means removing the obstacles and ensuring the correct implementation of the principle and policy of opening up to the outside world.

Over the last 8 years, opening up to the outside world has become effective in our country, thus benefiting the state and winning the general support of the broad masses of the people. This correct and longstanding state policy will not change. The difficulties confronting us in opening up to the outside world will soon be removed. The management structure and the investment environment will be gradually improved. The relevant laws and regulations will also be completed. Recently, Comrade Deng Xiaoping stressed on several occasions that China's policy of opening up to the outside world will not change. Moreover, he pointed out that if it is said that we have some shortcomings in opening up to the outside world, it should be said that we have not yet sufficiently opened up to the outside world. Comrade Zhao Ziyang has also explicitly said that China's policy of opening up to the outside world will not change but will further develop in breadth and depth. This is the basic standpoint of our party and state.

WEN WEI PO NOTES STABILITY OF CURRENT POLICIES

HK260403 Hong Kong WEN WEI PO in Chinese 26 Mar 87 p 2

[Editorial: "No Change in Upholding Various Current Principles and Policies"]

[Text] Many people in Hong Kong do not quite understand what the struggle against bourgeois liberalization really means. Therefore, there are various misgivings about this matter. NPC deputies and CPPCC members from Hong Kong and Macao may have heard of such misgivings and questions from various social strata, and they hope that the current NPC session will give clear answers to the people in Hong Kong. The question that most people are concerned with is whether the principles and policies formulated since the third plenary session will change due to the struggle against bourgeois liberalization.

Premier Zhao Ziyang's Government Work Report has given a detailed answer to this question. At the NPC session, Zhao Ziyang reiterated that six things will not change in the course of opposing liberalization: First, there will be no change in concentrating strength on developing material and spiritual civilization; second, there will be no change in carrying out all-round reform and carrying out the policy of opening up to the outside world; third, all existing policies in the countryside and cities will remain unchanged; fourth, the policy for consolidating and developing the patriotic united front will remain unchanged; fifth, the policy of letting a hundred flowers blossom and a hundred schools of thought contend will remain unchanged; and sixth, the policy of respecting knowledge and respecting people of learning will not change.

This shows that the CPC has become much more mature after drawing a painful lesson from the Cultural Revolution, and that it is hardly possible for the "leftist" ideology to stage a comeback. At present, in the whole country of China, and both inside and outside the CPC, no one wishes to change the current principles and policies. "No change" is not determined by merely a few people, but is supported by the whole nation and represents the common desire of the people throughout the country. This is the most reliable guarantee for the continuity of the current policies.

China will not only maintain its current domestic policies, but will also firmly continue its independent peaceful diplomatic policy. In order to settle territorial disputes with other countries and to solve problems left over by history, China holds that the method of holding peaceful talks should be used and the formula of "one country, two systems" can be adopted. The smooth settlement of the Hong Kong and Macao issues fully shows the popularity of the policy of "one country, two systems." People have clearly noticed that the opposition to bourgeois liberalization at home did not affect China's talks with Portugal. China has given full consideration to Macao's present conditions and has shown a realistic attitude to the maintenance of the interests of all different quarters in Macao. There has been no change in China's realistic position. This is an important reason why the agreement on the Macao issue can be initiated today in Beijing.

Zhao Ziyang yesterday reiterated that "our country will, as always, implement the series of principles and policies concerning Hong Kong which are specified by the Sino-British Joint Declaration." His words once again set Hong Kong people's minds at ease. China's promises are never empty. Through the work of the Sino-British Joint Liaison Group, China has made earnest efforts to maintain Hong Kong's international position and to make all necessary technical arrangements for Hong Kong's continued prosperity and stability, thus guaranteeing the serious implementation of the stipulations of the joint declaration. At the same time, the work of drafting the basic law for Hong Kong is also making smooth progress, and has not been affected by the opposition to liberalization. All this is an obvious fact known to everyone.

So, why should China oppose liberalization? The essence of opposing bourgeois liberalization is to oppose the attempt to shake the Communist Party's leadership and the idea of adopting the capitalist system in China. If this trend of thought is allowed to develop freely, and if "mass democracy" is allowed to lash all areas of social life, then there will not be any reform or opening up under the socialist system; instead, there will just be social turmoil again.

Social turmoil is something which is very unpopular, and it goes against China's national cause of realizing the four modernizations. Reform must be carried out in an orderly way from top to bottom in light of various material and cultural conditions. Consideration must be given to the social capacity for bearing shocks and changes in the course of reform. It is necessary to make protracted and painstaking efforts to advance reform over a long period. Perfecting socialist democracy and setting up a new state system with a well-developed democracy is also a long and evolutionary process. No radical changes on the basis of negating the current social system should be made, and the Western political system should not be copied without discrimination in China. On the contrary, China must firmly build its own socialist legal system and socialist democracy. Cadres should be subject to the people's supervision and should take the lead in abiding by the law. The political structural reform will be carried out step by step so as to build socialism with Chinese characteristics. We deeply believe that as all current principles and policies will not change, our country will certainly have a bright future.

#### STATE COUNCIL OUTLINES HI-TECH DEVELOPMENT PLAN

OW251214 Beijing XINHUA in English 1200 GMT 25 Mar 87

[Text] Beijing, March 25 (XINHUA) -- China will concentrate part of its elite research force on developing several important items of high technology in the next 15 years.

According to the State Council's "Outline of China's Hi-Technology Development Program", made available here today, China will give priority to seven hi-tech research areas -- biotechnology, space technology, information technology, laser technology, automation technology, energy technology and advanced materials.

More than a dozen major sectors in these areas have been selected, which will provide an umbrella for the development of other related disciplines and research branches, and lay the ground for an economic leap forward around the turn of the century.

China will also promote international cooperation in the implementation of this program on the basis of equality and mutual benefit, at both governmental and nongovernmental levels.

#### VICE MINISTER HE ON SITUATION IN UNIVERSITIES

HK250354 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 12, 23 Mar 87 p 6

[Article by LIAOWANG reporter: "Vice Minister of the State Education Commission He Dongchang Answers Reporter's Questions Concerning the Present Situation in Schools of Higher Learning"]

[Text] Reporter: Could you please tell me about the situation in universities and colleges since the new semester began?

He: The situation in general is good since the schools of higher learning in the whole country began their new semester in mid-February. The schools have maintained a normal teaching order, and all the teachers and students are concentrating on their teaching work and studies. Most students are in a stable, good mood, and hope to have a peaceful and calm environment and atmosphere for serious study so that they can better serve the motherland in the future.

Most people in the country support the healthy and continuous implementation of the four cardinal principles (that is, adhering to the leadership of the communist party, adhering to the socialist road, adhering to the people's democratic dictatorship, and adhering to Marxism-Leninism-Mao Zedong Thought), and support the struggle against bourgeois liberalization. This has formed a favorable situation for the work in the schools of higher learning. Since the beginning of the new semester, the schools have generally strengthened and improved their ideological and political work by adopting various forms to conduct positive education and organizing teachers, students, and staff members to study the situation and the policies. At the same time, they have also opened a variety of democratic channels to facilitate the exchange of opinion between the school leaders and the teachers and students. The school authorities have been listening to the opinions and criticisms of the students on school work in all aspects and have taken measures to improve the teaching management and the students' study environment and living conditions.

Among the small number of students who were involved in the student unrest late last year, many have changed their minds to different degrees. During the winter holidays, they came into contact with the public and listened to the advice of their parents. With the influence of public opinion, they realized the impropriety of their extremist actions to a certain degree, and their repentant attitude was welcomed by teachers and schoolmates.

A gratifying development is that the students have now generally become more conscious and active in participating in social practice, which will enable them to become politically mature and professionally competent. The cause of building socialism requires all workers, peasants, and intellectuals to learn from each other. It is very necessary for young students to learn the fine traditions and practical experience from workers, peasants, and intellectuals of the older generation.

Reporter: What is your evaluation of the work of the universities and colleges in recent years?

He: The achievements made by the schools of higher learning in recent years should be affirmed, and the central authorities' guiding principle that "education must serve socialist construction and socialist construction must rely on education" has been put into practice step by step as required by the central decision on reform of the educational system. Higher education has made substantial progress in recent years, and the proportion of schools of various kinds has been better suited to the needs of economic construction. Most schools are making efforts to implement the party's line, principles, and policies, to adhere to the four cardinal principles, to improve ideological and political work, and are actively carrying out educational reforms. They have achieved good results in these areas.

Of course, some outstanding problems which must be resolved still exist in the work of our schools of higher learning. At a certain time in the past, the trend of bourgeois liberalization in society made inroads into our schools to a different extent, and in some schools the influence of the bourgeois liberalization trend was rather serious. The student unrest which occurred late last year reflected this harmful influence in the schools. We still have to do patient and orderly work to wipe out the consequences of the student unrest. Henceforth, we will properly control the scale and speed of the development of higher education, and will pay more attention to the enhancement of the overall education quality. Now, the scale, structure, and training targets of our higher education still cannot satisfy the actual needs in our socialist construction, and further readjustments will be made to solve these problems.

Reporter: Will the struggle against bourgeois liberalization affect the implementation of the "double hundred" policy.

He: "Letting a hundred flowers blossom and a hundred schools of thought contend" in the academic field is our party's constant policy, and this will not change in the future. The "double hundred" policy is not contradictory to the adherence to the four cardinal principles, and Marxism can develop only through debate. The current struggle against bourgeois liberalization will be strictly limited to within the Communist Party and be mainly carried out in the political and ideological field with the focus on resolving the issues concerning the fundamental political principle and the political orientation. That is, the struggle is mainly directed at those erroneous words and deeds which are trying to shake off the Communist Party's leadership and negating the socialist system. These principled issues are all definitely specified in the Constitution, and are beyond the scope of academic debate. The opposition to bourgeois liberalization in schools of higher learning must also strictly follow the policies and methods specified by the central authorities. The main method is to organize teachers and students to study the relevant central documents and to carry out convincing criticism of some major viewpoints of the bourgeois liberalization advocates. This will not dampen the enthusiasm of the intellectuals. The contents of philosophy and social science courses in universities and colleges in the past were good in general. [paragraph continues]



Although a small number of teachers spread some erroneous viewpoints in their lectures, we will not settle accounts with them or criticize them. We believe that through study, they will raise their consciousness and will improve their teaching work in connection with the new changes in the reform and construction realities under the guidance of dialectical materialism and historical materialism. As for the different opinions in academic studies, people have the freedom of fully discussing the academic issues according to the stipulation of the Constitution. Different academic viewpoints developed on the basis of serious scientific research are beneficial to our teaching work, and they should be introduced in the lectures. We encourage the teachers who are engaged in teaching and research and research of philosophy and social sciences to write convincing articles and answer some practical questions in connection with our reality. This will definitely benefit the young people.

Reporter: How do you view the conditions of the present students in universities and colleges?

He: Our evaluation of the young students is always optimistic. The vast number of students in our schools of higher learning love the motherland, support the four cardinal principles, and support the reform and opening-up policy of the party and the government. They study diligently and are determined to serve the motherland's modernization in the future. Only a small number of students were involved in the student unrest late last year. Under the influence of the bourgeois liberalization trend, these students aired some erroneous opinions, and this was just a matter of their understanding. For these students, we also adopt the method of education and advice so as to help them raise their ideological consciousness and change their incorrect ideas. Of course, those who violated the criminal law will still be punished. However, so far, we have not heard that any students were dismissed by the schools due to their involvement in the student unrest. As for a small number of party members who continue to stick to bourgeois liberalization and refuse to mend their ways, the necessary party disciplinary measures will be adopted against them in light of their attitude and the seriousness of their cases as the party Constitution stipulates.

Reporter: Will the struggle against bourgeois liberalization affect the schools' reform and international exchanges?

He: The adherence to the four cardinal principles is in line with the reform and opening up policy, and both are indispensable. Since the central authorities made the decision on reform of the educational system, the schools of higher learning have carried out reforms in many aspects and will continue to advance the reforms in future. The purpose of reform in the future is to better adapt our education to the needs in the building of socialism with Chinese characteristics. Reform and opening up must have a correct orientation. Without adhering to the four cardinal principles, reform and opening up will lose the correct orientation, and the schools will not be able to fulfill the task of training qualified personnel with both political integrity and professional capability. Therefore, the schools of higher learning must continue to carry out the central decision on reform of the educational system, and correctly handle the relationship between reform and the four cardinal principles. In this sense, the struggle against bourgeois liberalization will just ensure that reform of higher education can develop along a healthy course. As for international exchanges on education, this is part of the opening up policy. In my opinion, national seclusion will only lead to backwardness. So international exchanges on education will be further expanded rather than be curtailed. Through international exchanges, we will absorb the achievements of civilization which are beneficial to China, and will increase our friendship with other peoples.

OFFICIALS LEARN BANKS'S ROLE IN ECONOMY

OW251659 Beijing XINHUA in English 1407 GMT 25 Mar 87

[Text] Beijing, March 25 (XINHUA) -- Chinese policymakers at all levels of governments have become increasingly aware of the growing important role of banks in exercising the overall control over economic development, said leading economists and bankers here today.

This has provided impetus for further reforms of the banking system and financial structure of the country, they said after hearing the government work report by Premier Zhao Ziyang at the opening of the Fifth Session of the Sixth National People's Congress which opened here this afternoon.

They fully agreed with Premier Zhao Ziyang when he said that to speed up China's financial restructuring is a "major aim" of the state's efforts to tighten and improve overall economic control and it constitutes a prerequisite for enlivening the domestic economy.

Reviewing the rapid advances of the financial reform, especially the growth of the money market, they said that this has played an important role in alleviating the shortage of working capital for enterprises and promoting the rational use of social funds.

They said that for the first time in China, the money markets sprang up in big cities of Wuhan, Shenyang, Changzhou, Chongqing, and Guangzhou last year, making it possible to extend interbank loans in different banks in the same region.

They also noted that a network of such markets centering on the five cities has extended to other cities, with the result that interbank loans have amounted to 30 billion yuan (about eight billion U.S. dollars) so far.

Moreover, banks and other financial institutions issued negotiable bonds as a way to raise funds for key construction projects. They cited Shanghai which issued the first batch of bonds worth 90 million last year for a petrochemical plant to turn out 300,000 tons of ethylene a year.

A financial system with Chinese characteristics is taking shape, they said, adding that this system has the Central Bank as the leader and state banks in the dominant position, supplemented by various other financial institutions.

China used to have only one bank -- the People's Bank of China -- which undertook both to issue currency and handle regular banking business. Now, this bank performs only the function of the Central Bank and operates as a government office in charge of China's financial affairs.

Other banks include the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Construction Bank of China that extends long-term investment loans, the Investment Bank of China that re-extends loans from the World Bank, and the China International Trust and Investment Corporation.

Furthermore, economists said, the Construction Bank of China has restored its domestic businesses and urban credit cooperatives mainly serving urban collective, and individual businesses have been mushrooming all over the country. And non-bank financial institutions, such as trust and investment companies, are thriving.

They said that thanks to the readjustment of interest rates on several occasions, the bank savings by both urban and rural residents have gone up remarkably to become one of the major sources of funds for banks. The source of funds for China's production and construction has shifted from state allocations to bank loans and credits, they said. Bank loans and credits accounted for 68.4 percent of all funds for production and construction in 1986, compared with 23.4 percent in 1978.

Domestic insurance business has also grown rapidly over the past two years to keep pace with the development of the commodity economy and improvement of people's living standards. Last year, they said, the People's Insurance Company of China handled 2.5 million claims and chalked up a 45 percent rise in premiums. It now offers 100 types of insurance services, they stated.

They also noted the important fact that Chinese financial institutions are now issuing bonds abroad to raise money for the country's modernization program. The Bank of China, which solely handles foreign exchange, now has 300 branches abroad, and has business ties with 100 banks in 152 countries and regions.

Leading economists and bankers said that the reforms of the financial structure over the past year marked a beginning of a true role of the financial institutions and will surely inject renewed vigor into the national economy.

They called for still greater efforts of various banks to help maintain a basic balance between total supply and total demand by rationally readjusting currency supply in order to stabilize the currency, economy, and market and create a "stable economic environment" for ongoing reforms.

#### ADB TO LOAN \$150 MILLION FOR LIGHT INDUSTRY

HK240952 Beijing CHINA DAILY in English 24 Mar 87 p 2

[By staff reporter Tian Ying]

[Text] The China Investment Bank (CIB) is close to clinching deals for its biggest loan ever from the World Bank and the first it has received from the Asian Development Bank (ADB). Lu Xianlin, president of CIB, announced the loans -- for \$300 million and \$150 million respectively -- at the bank's sixth board of directors' meeting, which opened in Beijing yesterday.

The money will be used to develop light industry and the textile industry; for technical renovation; and for the production of export items and import substitutes, Lu said.

CIB, established in December 1981, specializes in raising funds abroad for construction and is one of the four banks in China that have the right to raise funds directly from foreign financial organizations. The other three are the Bank of China, the China International Trust and Investment Corporation (CITIC) and the Bank of Communications.

CIB raised funds only from the World Bank in the past. In order to attract more funds and diversify the operation, it began to contact the ADB and borrow from several foreign commercial banks last year. The bank will also provide services for foreign exchange deposits.

With the approval of the State Planning Commission, CIB will borrow about \$70 million from foreign commercial banks this year, Lu said.

By the end of last month, CIB had granted loans of about \$541 million in foreign exchange and 954 million yuan to more than 400 projects, with about half in light industry and textiles.

"To ensure good economic results for loan-supported projects, we have been paying great attention to project appraisal," Lu said.

According to the president, about 220 projects had been completed and put into operation by the end of last year, adding 1.2 billion yuan (324 million) in annual production value to the country. The value is about 130 percent of combined investments in the projects. Most of the projects have earned foreign exchange for the State or saved foreign exchange by producing import substitutes, Lu said.

The Pingdingshan Nylon Cloth Factory in Henan Province has used 10 billion yen (\$65 million) in loans from CIB to import production lines. About 13,000 tons of nylon fibre valued at 230 million yuan are expected to be produced a year when the production lines go into operation in 1988. The State can save more than \$6 million by using the fibre instead of importing it from abroad, Lu said.

In the past, the bank granted loans only to state-owned businesses, mainly in coastal areas. Now its borrowers have extended to the island. The bank is also allowed to provide loans or direct investments to Sino-foreign joint ventures, Lu said.

#### TAX SYSTEM ENCOURAGES SINO-FOREIGN COOPERATION

OW241728 Beijing XINHUA in English 1638 GMT 24 Mar 87

[Text] Hong Kong, March 24 (XINHUA) -- China's taxation policy is favourable to foreign investors, Jin Xin, tax commissioner of China's Tax Bureau said here today.

An enterprise exporting at least 70 percent of its total output will continue to enjoy the 50 percent reduction in tax payments even after the expiration of its tax holiday.

Foreign firms investing in technologically advanced projects can enjoy a 50 percent tax reduction for another three years after the expiration of the normal holiday, he added.

For investment in port projects, income tax will be levied at the rate of 15 percent. Newly-built joint ventures with a term of operation of 15 years or more will be free from the income tax for the first five profit-making years and a 50 percent reduction in the tax for the next five years.



NONGMIN RIBAO VIEWS RURAL PRODUCTION STRUCTURE

HK251032 Beijing NONGMIN RIBAO in Chinese 18 Mar 87 p 1

[Commentator's article: "Persevere in Readjusting the Rural Production Structure -- 10th Talk on Deepening the Rural Reforms"]

[Text] Given our country's large population and relatively small area of arable land, only by shifting a large number of the labor force from the farming industry to other industries and forming an economic structure in which agriculture, industry, and commerce develop simultaneously in the countryside can we raise the labor productivity in the farming industry, increase rural people's income, and strengthen the self-development capacity of agriculture.

In recent years, the rapid development of township and rural enterprises has greatly facilitated the shift of rural labor force from the farming industry to other industries. In the future, the continuous development of nonagricultural enterprises in the countryside will remain the main way to shift the surplus rural labor force to a variety of trades. All localities and departments should actively support, reasonably plan, correctly guide, and more effectively manage the development of such rural enterprises and promote their technological transformation by implementing the "spark plan" so that the rural enterprises can develop more healthily and steadily. In order to support the rural enterprises, the localities should correctly select the scope of production in light of their specific resources and economic conditions. In economically developed areas and the suburban areas of large cities, the enterprises should be linked with the urban economy, should develop economic associations with those in other areas, and should develop production items that will earn foreign exchange through export. In areas where the technical, transport, market, and energy conditions are not so good, various forms of enterprises run by townships, villages, households, or groups of households should be developed simultaneously mainly in the handicraft, mining, building materials, and native product processing industries. They should be developed step by step and should not blindly follow the example of the developed areas in starting large-scale projects. They must not be overanxious in vying with each other for too high a growth rate.

With the continuous growth in the agricultural production commodity rate, the agricultural production structure will also change gradually and agricultural production will continue to develop both intensively and extensively. An agricultural production system that includes the planting industry, animal raising industry, and farm product processing industry should be established. Extending agriculture to animal husbandry, the processing industry, and various service industries is also an effective way to utilize more labor force and work hours to increase incomes. The vast areas where grain is the main product should particularly give play to their advantages in developing animal husbandry and the farm product processing industry. In addition, there are rich natural resources in the countryside which can be used to develop animal husbandry. Localities where there are waste hills, waste slopes, waste beaches, rivers, lakes, grassland, moors, and underground resources should all make a comprehensive survey of the resources to develop them and should organize their development and exploitation in various forms.

Shifting the labor force from farming to other trades does not mean that productivity in the farming industry will naturally rise. [paragraph continues]

Governments at all levels and rural grass-roots organizations should actively open more employment channels for the rural labor force and should, at the same time, organize peasants to build irrigation works, improve farmland, and improve the natural conditions for agricultural production.

Agriculture is the foundation of the national economy, and grain production is the base of the foundation and the precondition for the readjustment of the production structure. If we cannot ensure the sustained and steady development of grain production, the development of nonfarming industries and the shift of rural labor force will all become difficult. The state has decided to gradually increase agricultural investment, so local government must also appropriate a larger proportion of their financial income to agriculture each year. At the same time, it is necessary to adopt proper measures to guide and encourage the peasants to make production accumulation and to increase investment in grain production. The relevant departments should make greater efforts to popularize applicable techniques and technologies, ensure the supply of production materials, and perfect the pricing policy to create favorable conditions for the increase in grain production.

#### COMMENTATOR URGES CURBING HOUSE BUILDING

HK250644 Beijing NONGMIN RIBAO in Chinese 16 Mar 87 p 1

[Commentator's article: "The 'Craze for House Building' Should Be Cooled Down"]

[Text] The "craze for house building" and scenes of "new blocks of houses rising high above the ground" exists not only in Jiangsu Province, but also in many other localities in varying degrees. Many households do not mind spending several thousand yuan and even 10,000 yuan on building houses. They want to build new houses even if they have to borrow money from others!

How did this craze for house building come about? One of the causes is that some comrades were swell-headed and advocated the so-called high consumption. As far as the peasants were concerned, they held that the houses were built for themselves and their sons and grandsons and, therefore, they would build houses even at high cost. For this reason, more and more houses even at high cost. Another cause is that some peasants think that it is safe to invest in houses but not so safe to invest in production. We wish to give the peasants this advice: Do not invest a large sum of money in building houses! At present, the peasants are not very rich. By investing their limited capital in residential houses, they are tying up their money which they could otherwise use to expand production and make more profits. In fact, this is not worthwhile! Interest accrues from money deposited in the bank but not from money invested in houses. Moreover, the houses need maintenance every year. If you borrow money from others to build your houses, you will owe them a favor. Is this worthwhile?

Of course, it is necessary to build houses, but the number and type of houses to be built should be commensurate with the present situation. Fewer houses should be built. At present, many localities find they do not have sufficient funds for developing agricultural capital construction and rural enterprises and increasing income from agriculture. Is it not more advantageous to the individuals in getting rich and to the state and society as well if the money earmarked for housing construction is used for these purposes? At the same time, this will greatly help in reducing consumption, advocating plain living and hard work, heightening the standards of public conduct, and promoting the fine tradition of arduous struggle.

STATE COUNCIL URGES RESEARCH, ENTERPRISE EFFORTS

OW250625 Beijing XINHUA Domestic Service in Chinese 0108 GMT 24 Mar 87

[Excerpts] Beijing, 24 Mar (XINHUA) -- In making suggestions to relevant regions and departments on further promoting the association of scientific research with production, a group of four commissions and one office under the State Council recently pointed out: Making vigorous efforts to promote various forms of association in scientific research, design, and production at various levels, and to encourage those research institutions mainly engaged in technological development, especially of new products, to gradually join enterprises, or groups of enterprises, or to associate themselves closely with enterprises, should become a very important aspect in reform of the economic structure and the science and technology management system.

After joint investigation and study, the State Economic Commission, the State Science and Technology Commission, the State Commission for Restructuring the Economic System, the Commission of Science, Technology, and Industry for National Defense, and the State Council Office of the Leading Group for Science and Technology made this suggestion to regions and departments concerned. [passage omitted]

The investigation shows: The situation in which science and technology are divorced from the economy has not been basically changed in our country. Because of the ensnarement by old ideas, many comrades, including some in government departments at various levels, often place restrictions on, or interfere with, the association of research or design institutions with enterprises, especially when such institutions and enterprises are under the supervision of different departments, or are located in different regions. The economic management system is different from the science and technology management system. Efforts in formulating policies, opening channels for funds, and developing products are not coordinated, nor are the reforms of the economic structure and of the science and technology management system. In considering reform, economic, science, and technology departments usually proceed from their own interests. Principles and policies are not coordinated, and there is no complete set of unified policies designed to achieve technological and economic coordination. Pressure for enterprises to achieve technological progress is lacking, and so is their vitality. Research institutions also have misgivings about joining enterprises.

The State Council organs maintained: The basic way to solve these problems is to develop commodity production, promote competition, and form a buyers' market. At the same time, government departments should change their functions, structures, and management systems. [passage omitted]

The organs also proposed selecting scientific research, design, and production associations of different types to make policy experiments, to promptly sum up their experiences, and to systematically popularize such experiences.

COUNTY, TOWNSHIP DEPUTY ELECTIONS BEGIN

OW250505 Beijing XINHUA Domestic Service in Chinese 1411 GMT 23 Mar 87

[Text] Beijing, 23 Mar (XINHUA) -- The direct election of deputies to county and township people's congresses is underway throughout the country.



It is reported that all the counties and townships in Tianjin, Jilin, Hunan, and Ningxia have completed electing their people's congress deputies; and that most of the counties and townships have held their first sessions of the newly elected people's congresses and elected new leading groups. Registration of voters and nomination of candidates are now underway in counties and townships in Beijing, Shanghai, Jiangsu, Sichuan, Yunnan, and Gansu. It is estimated that the election of deputies will be completed by the end of April. In Hebei, Liaoning, Zhejiang, Anhui, Shandong, Henan, Guangdong, and Shaanxi, some counties and townships are reviewing and disseminating their experiences gained in experimental elections conducted in selected localities. According to the plans of these eight provinces, the election of county and township deputies will be completed by the end of June. Owing to local circumstances, the election of county and township deputies in these 10 provinces and autonomous regions -- Shanxi, Nei Monggol, Heilongjiang, Fujian, Jiangxi, Hubei, Guangxi, Guizhou, Qinghai, and Xinjiang -- will be completed by the end of the year.

According to local departments concerned, the current election has been proceeding more smoothly than the previous elections primarily because of these factors: The nation has a better election law and a better, perfected democratic election system after the NPC Standing Committee revised the election law and the local organic law, and after the standing committees of people's congresses of all provinces, autonomous regions, and municipalities directly under the central government revised the detailed election rules. Clear-cut guidance has been set forth in the several central documents about elections, which have stressed time and again that the current county and township elections, being a part of political reform, must be fully democratic and absolutely legal. The people have a clearer concept of law, democracy and the legal system owing to the dissemination of legal knowledge, and they have come to understand the significance of elections and the need to be actively involved in elections. The previous two elections have produced a large number of personnel experienced with electoral affairs.

Attaching great importance to the elections, the local authorities have made great efforts to:

-- Give full scope to democracy, carry out repeated discussions and consultations, and completely respect voters' wishes and electoral rights. They have also made sure that a candidate may be nominated by any political party, organization, or by 10 or more petitioners; that all the preliminary nominated candidates are openly announced; and that the voters are informed of the candidates' background through introductions given by those nominating them, interviews with the candidates, the candidates' own introductions, and distribution of information about the candidates. They also ensure that voters have complete freedom to decide whom they will vote for, and that an official list of candidates is prepared on the basis of the majority voters' wishes, after they have thoroughly discussed the matters among themselves. During the first round of elections, people in the districts and counties under Tianjin's jurisdiction nominated a total of 63,916 candidates, or 14.5 times that of the available seats of 4,407. Only after the voters reached a certain consensus through repeated deliberations and consultations was an official list of candidates officially made on the basis of the voters' views. Many voters agreed that it was a truly democratic election as all the candidates were determined on the basis of the views of the majority of voters.

-- Make sure that the number of candidates must be larger than, and not equal to, the quota by a minimum of one-third to a maximum of 100 percent as prescribed by the election law. The Wuxi Institute of Light Industry in Jiangsu is supposed to elect two deputies, but the voters nominated 324 candidates. After repeated deliberations and consultations, three official candidates were determined. The results of voting show that each of the two elected received more than half the votes.



-- Abide strictly by law in handling the elections. All election irregularities -- such as electing more deputies than the number of seats available, arbitrarily setting a percentage for deputies from various quarters, or designating official candidates without the voters' deliberations and consent -- have been rectified.

-- Raise the quality of deputies and appropriately reduce the number of deputies to county and township people's congresses. County and township people's congresses have generally reduced the number of their deputies in order to make it easier for them to meet and discuss matters. In Hunan Province, the number of deputies to county people's congresses has been reduced by about 20 percent, and the number of deputies to township and town people's congresses has been cut by nearly 50 percent. In Tianjin Municipality, the number of deputies to district and county people's congresses has been cut by about 5 percent, and the number of deputies to township and town people's congresses has been reduced by 34 percent.

-- Attach importance to publicity and education. In making plans for the election of new deputies, all localities have included the work of publicity in their election plans. Newspapers and radio and television stations also pay attention to reporting on elections. In publicity, attention is paid to giving full scope to democracy, acting strictly according to law, and taking election publicity as an important task in educating the masses in socialist democracy and the socialist legal system. Through such publicity and education, it is necessary to enhance voters' understanding of democracy and citizenship and raise their enthusiasm in participating in elections.

-- Strengthen leadership. Electoral committees or leading groups for electoral work have been set up in 29 provinces, autonomous regions, and municipalities directly under the central government. Party committees and people's congress standing committees at various levels have strengthened their leadership over electoral work. Responsible persons of party committees or the chairmen of people's congress standing committees in Beijing, Shanxi, Nei Monggol, Jilin, Heilongjiang, Jiangxi, Sichuan, Guizhou, Qinghai, and other places now serve as chairmen of electoral committees or heads of leading groups for electoral work at the provincial level. Party committees at various levels have called meetings on electoral work, with their secretaries and the chairmen of people's congress standing committees at corresponding levels participating. These meetings have called for electing deputies to county and township people's congresses as an important task in strengthening local political power and the legal system. Party committees and governments at various levels should make this task an important item on their agenda, take all factors into consideration while making overall plans for the task, and concentrate the energies of leaders and cadres to perform this important task well. While holding elections, attention is to be paid to checking up on and giving guidance to the work in this regard. Experiences are to be promptly summed up. Cadres in Shandong, Henan, Hunan, Guangdong, Guizhou, and other provinces have been organized to check up on and guide electoral work in basic units and to sum up and popularize experiences in this respect.

#### PLA HELPS IMPOVERISHED AREAS FIGHT POVERTY

OW191015 Beijing XINHUA Domestic Service in Chinese 0645 GMT 18 Mar 87

[By correspondent Liu Wenhua and reporter Liu Xiangang]

[Text] Beijing, 18 Mar (XINHUA) -- Because of the PLA's energetic support, over 300,000 families have shaken off poverty and are now financially better off.

Since early 1986, the saying "garrison troops are partly to blame if the place they are stationed is poor" has prompted many PLA units to take active steps to help the poor. Helping the poor has become a major form for PLA garrison units to support local economic construction in impoverished counties in the Taihang, Dabie, Jinggangshan, Yimeng, and Xiangxi mountain districts, Gansu's Dingxi Prefecture, and Ningxia's Xiji-Haiyuan-Guyuan area. People's Armed Force departments at all levels have set up aid-the-poor centers in 110,000 villages and dispatched nearly 10,000 propaganda teams to various villages to propagate the party's rural economic policies, encourage the local people to become prosperous through working hard, and sponsor all sorts of training classes to teach people how to get rich. So far, the PLA has helped impoverished areas train more than 1.5 million technicians of all descriptions.

Because impoverished areas are poorly informed, garrison troops have enthusiastically supplied the local people with all sorts of economic information, taking advantage of the fact that their cadres and fighters are from different parts of the country. The 86 information networks set up by PLA units in northern Sichuan have provided 1,500 pieces of economic information to the local people, thus expanding the market for many rural enterprises and bringing back to life 11 enterprises which were on the verge of bankruptcy.

Military research units have also turned over more than 1,300 research achievements to the impoverished areas on a priority basis. Realizing that a paper plant in Hunan's Pingjiang County was forced to suspend operations because of waste water disposal problems, the University of Science and Technology for National Defense sent people to help the plant transform production technology and switch to producing mica sheets; a production line was installed last May. The plant's products were favorably acclaimed at the Guangzhou trade fair, and the large number of orders from trade departments at home and abroad have helped local economic growth.

The General Logistics Department has delivered tens of millions of yuan of equipment and supplies to old revolutionary bases and minority, outlying, and impoverished areas to support construction. PLA units have also sent over 100 medical teams to treat patients in mountainous areas of Anhui, Jiangxi, Hubei, Sichuan, Shaanxi, Guangxi, and Guangdong, and have helped them train over 1,000 medical workers.

#### PLA OFFICIAL ADDRESSES MILITARY ACADEMY STUDENTS

OW220217 Beijing XINHUA Domestic Service in Chinese 1558 GMT 21 Mar 87

[By Reporter Xu Jingyao]

[Excerpts] Beijing, 21 Mar (XINHUA) -- The Propaganda Department of the PLA General Political Department sponsored a report meeting today, which was entitled "Dedicate One's Youth to the Motherland." Students from the National Defense University and 8 other military academies heard a report given by Xu Liang, a combatant from the Laoshan front who has won a first class merit citation, on his experience in transforming himself from an ordinary college student into an exemplary people's soldier. [passage omitted]

Zhou Wenyuan, deputy director of the PLA General Political Department, spoke at the meeting. He called on military academy cadets to foster a revolutionary outlook on life and choose a correct career. At present, the cadets should conscientiously uphold the four cardinal principles and oppose bourgeois liberalization in accordance with the demands and arrangements of the party Central Committee and the Central Military Commission so that they can raise their ideological and political awareness and transform themselves into revolutionary soldiers with ideals, morality, general knowledge and discipline.

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Over the past 2 months, Xu Liang has given his report at 76 meetings with a total audience of 1.2 million. His dedication to the motherland has greatly inspired his young listeners.

PAPER SAYS NO BIG INCREASE IN MILITARY SPENDING

HK210746 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0714 GMT 21 Mar 87

[Text] Beijing, 21 Mar (ZHONGGUO XINWEN SHE) -- A commentator's article in today's JIEFANGJUN BAO says that the building of China's Army is centered on modernization. This is the inevitable demand put forward by modern warfare, and is also the path that China's Armed Forces must follow in developing to a higher stage.

China has a large population and a weak foundation. Moreover, for a long time in the past stress was laid on "grasping the class struggle as the key link" and on basing our work on preparations for fighting an early war, a major war, and a nuclear war. As a result economic construction could not be promoted, while the level of the Army's modernization could not be raised. Now, however, that China has switched its work focus to socialist modernization, it is undoubtedly logical that the building of its Army should be centered on modernization.

As China must concentrate its material and financial strength on economic construction, there cannot be a big increase in military spending in the near future, and so in centering Army building on modernization it is essential and indeed only possible to proceed in a planned and measured way within the framework permitted by the national strength. In the present circumstances, this means making good use of the limited funds and spending the money where it is most needed.

Taking modernization as the center is not only expressed in the improvement of weapons and equipment but, still more important, in improving the quality of the officers and men. There can be no fundamental improvement in China's weapons and equipment in the near future, and the updating of weapons and equipment is a very rapid process; in peacetime we can only engage in more development and less production, and equip the units in key respects. Hence, the decisive factor in modernizing China's Army is to train and forge people with ideals, faith, and morality, who observe discipline, and who can grasp modern military scientific knowledge and technical skills. In conditions when no war is being fought, the main thing is to improve people's military and political qualities through education and training.

JIEFANGJUN BAO VIEWS CHINA'S NUCLEAR STRATEGY

HK201450 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1120 GMT 20 Mar 87

[Text] Hong Kong, 20 Mar (ZHONGGUO TONGXUN SHE) -- A report from Beijing said the JIEFANGJUN BAO today published a signed article entitled "Views on Medium-Sized Nuclear Powers' Nuclear Strategy." The article maintains that China's nuclear strategy can be summed up as a strategy of "limited self-defensive counterattack," which is not aimed at launching and winning any nuclear wars but at opposing and checking them.

Since its first nuclear experiment in 1964, the Chinese Government has declared again and again that China was compelled to develop nuclear weapons; and its purpose in doing so is to break the nuclear monopoly, oppose nuclear blackmail, strive for the final elimination of nuclear weapons, defend China's independence and security, and safeguard world peace. In no circumstances will China take the lead in using nuclear weapons. China will never proliferate nuclear weapons to foreign countries or deploy them abroad. In developing nuclear weapons, China only wants to pursue a principle -- we have what others have, and anyone who wants to destroy us will be liable to retaliation.

The article holds that China is still maintaining the above stand and will continue to develop nuclear weapons in one way or another, but, in any case, on a limited scale.

The article says: Out of consideration of the needs of self-defense and security, China's nuclear strategy can be summed up as a strategy of "limited self-defensive counterattack," that is, China will develop a nuclear force of limited quantity but fine quality in light of its own national conditions; China will maintain an actual combat capability and is determined to mount a self-defensive counterattack; the country's nuclear force can play a deterrent role against the superpowers' nuclear threat and nuclear blackmail in peacetime, and will enable the country to launch an effective nuclear counterattack on a limited number of enemy strategic targets once an enemy uses nuclear weapons against the country in wartime.

The article also enumerates five main features of China's nuclear strategy of limited self-defensive counterattack:

First, its defensive nature. The principle of not being the first to use nuclear weapons was first put forth by the Chinese Government. This shows China's defensive aim in possessing nuclear weapons and its sincere desire to serve peace. Second, its antideterrent nature. China's limited nuclear strength, as an important force to check an enemy from arbitrarily waging any war of aggression and from using nuclear weapons against the country, plays an obvious antideterrent role against an enemy's blackmail and threat. Third, its self-defensive counterattack nature. China's consistent policy is: "We will not attack unless we are attacked; if we are attacked, we will certainly counterattack." China will counterattack only when the enemy uses nuclear weapons first. This shows the safe and serious nature of China's nuclear strategy.

Fourth, its limited nature. China's national power and resources are limited, and peaceful construction is the major element of China's development strategy. Therefore it is neither possible nor necessary for China to compete with superpowers in terms of quantity of nuclear weapons. China has a limited force and can only mount a nuclear attack on a limited scale against a limited number of enemy targets. Fifth, its effective nature. Although China's nuclear strength is limited, it is reliable. China can triumph over a powerful enemy with its limited force. Once it launches a nuclear counterattack, it will surely inflict an unbearable strike on the enemy.

In conclusion, the article points out: In mastering and developing guided missile nuclear weapons on a moderate scale, China is playing an essential role in relaxing international tension and maintaining the stability and balance of the world power structure.



BEIJING OPENS FIFTH SESSION OF SIXTH CPPCC

SK250940 Beijing BEIJING RIBAO in Chinese 7 Mar 87 p 1

[Excerpts] The Fifth Session of the Sixth Beijing Municipal CPPCC Committee opened ceremoniously on the morning of 6 March. [passage omitted]

Lei Jieqiong, vice chairman of the National CPPCC Committee, and Yang Zhengmin, deputy secretary general of the National CPPCC Committee, were invited to attend the session.

Leading comrades of the municipal party committee, Advisory Commission, People's Congress Standing Committee, government, and Discipline Inspection Commission, and leading comrades of various democratic parties and the Federation of Industry and Commerce, who were invited to the session, were Chen Xitong, Jin Jian, Li Qiyang, Wang Lixing, Liu Jianfu, She Diqing, Han Boping, Sun Fuling, Duan Yihai, Lu Yudong, Chen Zhongyi, and Chi Jishang.

Bai Jiefu, chairman; Gao Ge, Guan Shixiong, Li Bokang, Su Congzhou, An Lin, Deng Jixing, Xia Xiang, Zhang Guangdou, Li Chen, Wu Baosan, Ding Gongnan, Kan Guangqing, and Gan Ying, vice chairmen; and Li Tianshou, secretary general of the municipal CPPCC Committee, were seated on the rostrum.

Chairman Bai Jiefu declared the session open. Major items on the agenda of this session are to approve a report on the work of the Standing Committee of the Sixth Beijing Municipal CPPCC Committee; to approve a report of the Motions Work Committee of the municipal CPPCC Committee on the situation in motions work since the fourth session of the sixth municipal CPPCC Committee; to attend the sixth session of the eighth municipal People's Congress as nonvoting delegates to hear relevant reports; to approve a resolution of the fifth session of the sixth municipal CPPCC Committee; and to approve a report of the Motions Work Committee of the municipal CPPCC Committee on examination of the motions during the fifth session of the sixth municipal CPPCC Committee. [passage omitted]

## Li Ximing Speaks

SK250954 Beijing BEIJING RIBAO in Chinese 14 Mar 87 p 1

[Excerpts] The 8-day Fifth Session of the Sixth Beijing Municipal CPPCC Committee successfully concluded on 13 March after satisfactorily fulfilling its various scheduled items on the agenda.

At about 1400, Bai Jiefu, chairman; Gao Ge, Guan Shixiong, Li Bokang, Su Congzhou, An Lin, Deng Jixing, Zhang Guangdou, Li Chen, Wu Baosan, Ding Gongnan, Kan Guangqing and Gan Ying, vice chairmen; and Li Tianshou, secretary general of the municipal CPPCC Committee, mounted the rostrum and took their seats in proper order. Vice Chairman Gao Ge presided over the session.

Attending were leading comrades of the municipal party committee, Advisory Commission, Discipline Inspection Commission, People's Congress Standing Committee and government, various democratic parties and the municipal Federation of Industry and Commerce, including Xi Ximing, Lu Yu, Meng Zhiyuan, Zeng Jun, Pu Jiexiu and Chen Mingshao.

The session approved the "Political Resolution of the Fifth Session of the Sixth Beijing Municipal CPPCC Committee" and the "Resolution on the Work Report of the Standing Committee of the Fifth Session of the Sixth Beijing Municipal CPPCC Committee."

It heard and approved a report delivered by Kan Guanqing, vice chairman of the municipal CPPCC Committee and chairman of its Motions Work Committee, on the examination of the motions submitted to the fifth session. It also approved to accept the application for resignation submitted by Zhao Yinshu, Standing Committee member of the municipal CPPCC Committee. [passage omitted]

Comrade Li Ximing delivered an important speech at the session. He gave a penetrating explanation on the importance, necessity, and protractedness of the struggle to uphold the four cardinal principles and oppose bourgeois liberalism, and its policy bounds. He said: The party Central Committee announced in unequivocal terms that the struggle to oppose bourgeois liberalism should be strictly limited within the party, and should not involve democratic parties and nonparty intellectuals. In addition, it should be carried out mainly in the political and ideological fields with the aim of solving problems in political principles and political orientation, that is, to oppose the erroneous ideological trend of attempting to cast off party leadership and negate the socialist road. In opposing bourgeois liberalism, we should never permit any acts which suppress criticism and hinder our reform, opening to the outside world, and enlivening the domestic economy.

Comrade Li Ximing vigorously affirmed the achievements scored by the municipal CPPCC Committee over the past few years and urged it to continue performing its functions of "political consultation and democratic supervision" and playing its role as a "comprehensive bank of talented people" in the new year, and do more work to increase production, practice economy, increase revenue and reduce expenditure, and help the capital build its economic construction on a foundation of sustained and stable development. He also urged it to help governments and relevant departments in deepening reform, actively participate in consultations and supervision in this regard, and make suggestions and criticism to relevant departments in the form of motions submitted to CPPCC sessions.

Comrade Li Ximing said: In the future, our party will continue the principles of "long-term coexistence and mutual supervision," and of "showing utter devotion and sharing weal and woe," strengthen its cooperation with various democratic parties and nonparty persons, further develop and improve the system of cooperation of multiple parties under the leadership of the CPC, and earnestly welcome CPPCC members to offer opinions and suggestions on its work and to make criticism for its shortcomings and mistakes. On the basis of upholding the four cardinal principles, let us make still greater contributions to the grand goals of safeguarding the political situation of stability and unity, consolidating and developing the patriotic united front, facilitating socialist modernization, realizing the reunification of the motherland, and rejuvenating China, and to successfully building a socialist modern capital in line with the "four instructions" and "10 written replies" issued by the central authorities.

#### ZHANG SHUQUANG ADDRESSES NEI MONGGOL MEETING

SK250712 Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 24 Mar 87

[Excerpts] The autonomous regional party committee and the regional people's government jointly sponsored an on-the-spot official meeting in Bayannur League from 23 to 24 March. At the meeting the participants discussed the situation in the league's economic construction and the current production of animal husbandry and agriculture. The meeting urged the league to concentrate on conducting the production of grains and animal husbandry, to develop production in this regard in a stable and protracted manner, and to grasp the current production of grains and animal husbandry in a down-to-earth manner.

Attending the meeting were leading personnel from the regional party and government organs, including Zhang Shuguang, Bu He, Liu Yunshan, and Liu Zuohui, and responsible comrades from the departments concerned. [passage omitted]

At the meeting Comrade Zhang Shuguang and Bu He delivered speeches in which they fully acknowledged the achievements scored by the league in agricultural and animal husbandry production and analyzed or summed up the strong and weak points of Hetao District, which has extensive irrigation systems. They contended that wheat and corn crops are the first products of the district and that a good job should be done in planting wheat crops on the 2 million mu of farmland and carrying out corn seedling germination under plastic sheets in an overall way. Efforts should be made to tap potential in science and technology, to develop practical technology, and to increase per unit yield in order to increase total output.

In referring to the current shortage of seeds and fertilizer in spring farming and the low water level of the Huang He, leading comrades including Zhang Shuguang and Bu He gave instructions at the meeting on various measures for dealing with these problems.

In referring to the issue of compressing the overheated atmosphere in economic work, Comrades Zhang Shuguang and Bu He pointed out: Efforts should be made to formulate stable and protracted principles of economic work; refrain from delaying the projects or readjusting them on an excessively large scale on the one hand, and from conducting an excessive comparison of industrial growth rate and fund consumption on the other; and bring under control the excessively high and fast consumption of funds. We should also resolutely curtail the construction projects of luxury buildings and the activities undertaken by various societies.

In their speeches, Comrade Zhang Shuguang and Bu He emphatically pointed out: Developing the economy in a stable and protracted manner should be regarded by leading personnel at all levels as their conscious task. In referring to the current issue of developing the commodity economy in the Hetao agricultural and animal husbandry district, Comrade Zhang Shuguang pointed out: Efforts should be made to make the best use of information to increase economic results and the income of peasants and herdsmen. Bayannur League should concentrate on developing grain and animal husbandry production in a protracted manner and build the district into a grain and animal husbandry base. The district's fundamental problem is to improve its alkaline soil. Therefore, measures for carrying out construction and biological projects should be organically combined and funds should be utilized in a comprehensive way. Efforts should be made to establish specialized units to work out systems and to improve the alkaline land in various ways at various levels. Each person and locality should join in the operation to build Hetao District into a large agricultural zone of China's three northern areas.

WEN WEI PO ON 'SELF-DETERMINATION' FOR TAIWAN

HK241251 Hong Kong WEN WEI PO in Chinese 24 Mar 87 p 2

[Article by Huang Sun (7806 1327): "We Want Reunification of the Motherland and Not 'Self-determination for Taiwan Residents'"]

[Text] In answer to queries at Taiwan's "Legislative Yuan" on 20 March, Yu Kuo-hua vigorously refuted the absurdity of the so-called "self-determination for Taiwan residents," saying that it "not only departs from the basic stand of the state and the nation but also ignores the fact that all the people have united as one in struggle since the recovery of Taiwan." Impassioned and forceful, his remark really conveys the thoughts and feelings of Chinese residents living abroad. It is regrettable that Yu still upheld the national policy of "anticommunism." In my view, would it not be better if both parties, not blinded by the prejudice of parties and factions, achieve the reunification of the state and nation?

When I first heard the term "self-determination for Taiwan residents," I found it difficult to ascertain its meaning. If the argument is aimed at complementing talks between the KMT and CPC for the reunification of the motherland and calling for the participation of the Taiwan people in the talks and decisionmaking in the course of Taiwan's return to the motherland, it has something to recommend it. Being in power on both sides of the Taiwan Strait, it is naturally necessary for both the KMT and CPC to make contact and hold talks to promote reunification of the motherland. The Taiwan residents should naturally offer their views and play a proper role. However, if self-determination carries the meaning of splitting the motherland and achieving independence, it is a preposterous statement or act that takes no heed of either history or reality. Taiwan has been China's territory since ancient times. To date, both sides of the Taiwan Strait recognize only "one China" and favor achievement of reunification. What reason is there to create a split and divide an integrated China?

The ambiguous and vague argument of "self-determination for Taiwan residents" was given a clear-cut definition by Hsieh Chang-ting in a recent debate. Obviously, they have advocated "self-determination" with the aim of achieving Taiwan's independence and, since it is intolerable to the Taiwan authorities to publicly advocate "Taiwan's independence," they have purposefully spoken evasively. Let us see some arguments in Hsieh Chang-ting's speech:

1. "Taiwan's status has not been established, has it?" The answer to this rhetorical question is naturally that Taiwan's status has not been established. This answer is merely a fallacy collected from all imperialists in history who attempted to encroach on Taiwan. It has been refuted by historical facts and negated by the "Cairo Declaration" and the "Potadam Declaration." It is even opposed by the numerous countries that have establish diplomatic relations with Beijing. All these facts and records explicitly affirm that Taiwan is an inseparable part of China's territory.

2. He advocates the "new Taiwan consciousness" and wants to "form a community for the destiny of Taiwan Island." As far as society and political consciousness are concerned, different systems naturally lead to different kinds of consciousness. However, do not different kinds of social and class consciousness exist under the same social system? For thousands of years the destiny of Taiwan has been linked with that of the motherland and it is the motherland that has liberated Taiwan from the rule of the Netherlands and Japan. Now, because of the presence of a powerful Beijing regime, the United States and Japan dare not rashly meddle in Taiwan's affairs. Facts show that Taiwan cannot be separated from the motherland and that a "community for the destiny of Taiwan Island" outside the framework of the motherland is nonexistent.



3. Taiwan's "most pressing problem to date is not reunification but the reestablishment of national dignity and status of a sovereign state." How will it set about reestablishing them? First, it is necessary to "determine the people and the territory." This is the most undisguised expression of Taiwan's independence, advocating "one China, one Taiwan" with the aim of separating Taiwan from China as a whole. However, even the Taiwan authorities do not restrict themselves to Taiwan, but style themselves the legitimate government of the whole China, which wants to "reunify China with the Three Principles of the People." In fact, members of the international community recognize either the Beijing regime or the Taiwan authorities. This diplomatic recognition is based on "one China." Attempts to engineer "one China, one Taiwan" in the world have never succeeded.

From Hsieh Chang-ting's speech in the debate we can draw the following conclusion: The so-called "self-determination for Taiwan residents" is a new edition of the "Taiwan independence theory." As Chinese, we should rally together to attack it to defend the unification of the state and nation.

The new "Taiwan independence theory" advocating "self-determination for Taiwan residents" has an argument that confuses and poisons people's minds. The argument is that it can remove the threat of communism from the mainland with this. This is an out-and-out attempt to stand facts on their heads. Judging from Beijing's statements and remarks on the return of Taiwan and the reunification of the motherland, it is precisely the peaceful reunification of the motherland that makes it possible for Taiwan to preserve its existing social system and to develop a political structure of "one country, two systems." A long-standing split or "Taiwan's independence" will be sufficient to touch off an armed conflict on both sides of the strait, which will subject Taiwan to the devastation of war and destroy the original social structure. It is not difficult for people with the slightest intellect to foresee such a prospect.

Another argument of the new "Taiwan independence theory" that confuses and poisons people's minds is that it can raise Taiwan's "national dignity and status as a sovereign state," win international recognition, and extricate itself from an isolated position in the world by dint of "self-determination for Taiwan residents." This is pure daydreaming. The so-called "self-determination" that exists in the world refers only to "national self-determination" and applies only to colonies or non-self-governing territories. It should never be used to split a multinational country. This requirement is universally acknowledged in the world. Moreover, Taiwan's status has been affirmed by such international documents as the "Cairo Declaration" and "Potsdam Declaration" and has been reaffirmed by the many countries in the contemporary era that have established diplomatic relations with Beijing. Taiwan's independent action will never win international recognition but will certainly subject itself to great isolation. This is also something that people with the slightest reason will not find hard to reckon.

For the sake of the integrity and unification of the state and the rejuvenation and development of the nation, Hsieh Chang-ting and his ilk would be well advised to drop their new edition of a "Taiwan independence theory." A mantis will never be able to stop the historical chariot of reunifying the motherland.

MACAO'TEXT' OF SINO-PORTUGUESE JOINT DECLARATION

OW260526 Beijing XINHUA in English 0513 GMT 26 Mar 87

[Text] Beijing, March 26 (XINHUA) -- Following is the full text of the Sino-Portuguese Joint Declaration on the Question of Macao initialled here today:

Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao

(Initialled text)

The Government of the People's Republic of China and the Government of the Republic of Portugal have reviewed with satisfaction the development of the friendly relations between the two governments and peoples since the establishment of diplomatic relations between the two countries and agreed that a proper negotiated settlement by the two governments of the question of Macao, which is left over from the past, is conducive to the economic growth and social stability of Macao and to the further strengthening of the friendly relations and cooperation between the two countries. To this end, they have, after talks between the delegations of the two governments, agreed to declare as follows:

1. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that the Macao area (including the Macao peninsula, Taipa Island and Coloane Island, hereinafter referred to as Macao) is Chinese territory, and that the Government of the People's Republic of China will resume the exercise of sovereignty over Macao with effect from 20 December 1999.

2. The Government of the People's Republic of China declares that in line with the principle of "one country, two systems", the People's Republic of China will pursue the following basic policies regarding Macao:

(1) In accordance with the provisions of Article 31 of the Constitution of the People's Republic of China, the People's Republic of China will establish a Macao Special Administrative Region of the People's Republic of China upon resuming the exercise of sovereignty over Macao.

(2) The Macao Special Administrative Region will be directly under the authority of the Central People's Government of the People's Republic of China, and will enjoy a high degree of autonomy, except in foreign and defense affairs which are the responsibilities of the Central People's Government. The Macao Special Administrative Region will be vested with executive, legislative and independent judicial power, including that of final adjudication.

(3) Both the government and the legislature of the Macao Special Administrative Region will be composed of local inhabitants. The chief executive will be appointed by the Central People's Government on the basis of the results of elections or consultations to be held in Macao. Officials holding principle posts will be nominated by the chief executive of the Macao Special Administrative Region for appointment by the Central People's Government. Public servants (including police) of Chinese nationality and Portuguese and other foreign nationalities previously serving in Macao may remain in employment. [paragraph continues]

Portuguese and other foreign nationals may be appointed or employed to hold certain public posts in the Macao Special Administrative Region.

(4) The current social and economic systems in Macao will remain unchanged, and so will the lifestyle. The laws currently in force in Macao will remain basically unchanged. All rights and freedoms of the inhabitants and other persons in Macao, including those of the person, of speech, of the press, of assembly, of association, of travel and movement, of strike, of choice of occupation, of academic research, of religion and belief, of communication and the ownership of property will be ensured by law in the Macao Special Administrative Region.

(5) The Macao Special Administrative Region will on its own decide policies in the fields of culture, education, science and technology and protect cultural relics in Macao according to law.

In addition to Chinese, Portuguese may also be used in organs of government and in the legislature and the courts in the Macao Special Administrative Region.

(6) The Macao Special Administrative Region may establish mutually beneficial economic relations with Portugal and other countries. Due regard will be given to the economic interests of Portugal and other countries in Macao. The interests of the inhabitants of Portuguese descent in Macao will be protected by law.

(7) Using the name "Macao, China", the Macao Special Administrative Region may on its own maintain and develop economic and cultural relations and in the context conclude agreements with states, regions and relevant international organizations.

The Macao Special Administrative Region government may on its own issue travel documents for entry into and exit from Macao.

(8) The Macao Special Administrative Region will remain a free port and a separate customs territory in order to develop its economic activities. There will be free flow of capital. The Macao pataca, as the legal tender of the Macao Special Administrative Region, will continue to circulate and remain freely convertible.

(9) The Macao Special Administrative Region will continue to have independent finances. The Central People's Government will not levy taxes on the Macao Special Administrative Region.

(10) The maintenance of public order in the Macao Special Administrative Region will be the responsibility of Macao Special Administrative Region government.

(11) Apart from displaying the national flag and national emblem of the People's Republic of China, the Macao Special Administrative Region may use a regional flag and emblem of its own.

(12) The above-stated basic policies and the elaboration of them in Annex I to this joint declaration will be stipulated in a Basic Law of the Macao Special Administrative Region of the People's Republic of China by the National People's Congress of the People's Republic of China, and they will remain unchanged for 50 years.

3. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that, during the transitional period between the date of the entry into force of this joint declaration and 19 December 1999, the Government of the Republic of Portugal will be responsible for the administrative of Macao. [paragraph continues]

The Government of the Republic of Portugal will continue to promote the economic growth of Macao and maintain its social stability, and the Government of the People's Republic of China will give its cooperation in this connection.

4. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that in order to ensure the effective implementation of this joint declaration and create appropriate conditions for the transfer of government in 1999, a Sino-Portuguese Joint Liaison Group will be set up when this joint declaration enters into force, and that it will be established and will function in accordance with the relevant provisions of Annex II to this joint declaration.

5. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that land leases in Macao and other related matters will be dealt with in accordance with the relevant provisions of the annexes to this joint declaration.

6. The Government of the People's Republic of China and the Government of the Republic of Portugal agree to implement all the preceding declarations and the annexes which are a component part of the joint declaration.

7. This joint declaration and its annexes shall enter into force on the date of the exchange of instruments of ratification, which shall take place in Beijing. This joint declaration and its annexes shall be equally binding.

Done in duplicate at Beijing on ..... [as received] 1987 in the Chinese and Portuguese languages, both texts being equally authentic.

(Signed) for the Government of the People's Republic of China

(Signed) for the Government of the Republic of Portugal

#### Annex I

Elaboration by the Government of the People's Republic of China of its basic policies regarding Macao:

The Government of the People's Republic of China elaborates the basic policies of the People's Republic of China regarding Macao as set out in Paragraph 2 of the Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao as follows:

#### I.

The Constitution of the People's Republic of China stipulates in Article 31 that "the state may establish special administrative regions when necessary. The systems to be instituted in special administrative regions shall be prescribed by laws enacted by the National People's Congress in the light of the specific conditions." In accordance with this article, the People's Republic of China shall, upon the resumption of the exercise of sovereignty over Macao on 20 December 1999, establish the Macao Special Administrative Region of the People's Republic of China. The National People's Congress of the People's Republic of China shall enact and promulgate a Basic Law of the Macao Special Administrative Region of the People's Republic of China (hereinafter referred to as the Basic Law) in accordance with the Constitution of the People's Republic of China, stipulating that after the establishment of the Macao Special Administrative Region the socialist system and socialist policies shall not be practised in the Macao Special Administrative Region and that the current social and economic systems and lifestyle in Macao shall remain unchanged for 50 years.



The Macao Special Administrative Region shall be directly under the authority of the Central People's Government of the People's Republic of China, and shall enjoy a high degree of autonomy, except in foreign and defense affairs which are the responsibilities of the Central People's Government. The Macao Special Administrative Region shall be vested with executive, legislative and independent judicial power, including that of final adjudication. The Central People's Government shall authorize the Macao Special Administrative Region to conduct on its own those external affairs specified in Section VIII of this annex.

## II.

The executive power of the Macao Special Administrative Region shall be vested in the Government of the Macao Special Administrative Region. The government of the Macao Special Administrative Region shall be composed of local inhabitants. The chief executive of the Macao Special Administrative Region shall be appointed by the Central People's Government on the basis of the results of elections or consultations to be held in Macao. Officials holding principal posts (equivalent to assistant-secretaries, procurator-general and principal officer of the police service) shall be nominated by the chief executive of the Macao Special Administrative Region for appointment by the Central People's Government.

The executive authorities shall abide by the law and shall be accountable to the legislature.

## III.

The legislative power of the Macao Special Administrative Region shall be vested in the legislature of the Macao Special Administrative Region. The legislature shall be composed of local inhabitants, and the majority of its members shall be elected.

After the establishment of the Macao Special Administrative Region, the laws, decrees, administrative regulations and other normative acts previously in force in Macao shall be maintained, save for whatever therein may contravene the Basic Law or subject to any amendment by the Macao Special Administrative Region legislature.

The legislature of the Macao Special Administrative Region may enact laws in accordance with the provisions of the Basic Law and legal procedures, and such laws shall be reported to the Standing Committee of the National People's Congress of the People's Republic of China for the record. Laws enacted by the legislature of the Macao Special Administrative Region which are in accordance with the Basic Law and legal procedures shall be regarded as valid.

The legal system of the Macao Special Administrative Region shall consist of the Basic Law, the laws previously in force in Macao and the laws enacted by the Macao Special Administrative Region as above.

## IV.

Judicial power in the Macao Special Administrative Region shall be vested in the courts of the Macao Special Administrative Region. The power of final adjudication shall be exercised by the Court of Final Appeal in the Macao Special Administrative Region. The courts shall exercise judicial power independently and free from any interference, and shall be subordinated only to the law. The judges shall enjoy the immunities appropriate to the performance of their functions.

Judges of the Macao Special Administrative Region courts shall be appointed by the chief executive of the Macao Special Administrative Region acting in accordance with the recommendation of the independent commission composed of local judges, lawyers and noted public figures. Judges shall be chosen by reference to their professional qualification. Qualified judges of foreign nationalities may also be invited to serve as judges in the Macao Special Administrative Region. A judge may only be removed for inability to discharge the functions of his office, or for behavior incompatible with the post he holds, by the chief executive acting in accordance with the recommendation of a tribunal appointed by the president of the Court of Final Appeal, consisting of not fewer than three local judges. The removal of judges of the Court of Final Appeal shall be decided upon by the chief executive in accordance with the recommendation of a review committee consisting of members of the Macao Special Administrative Region legislature. The appointment and removal of judges of the Court of Final Appeal shall be reported to the Standing Committee of the National People's Congress for the record.

The prosecuting authority of the Macao Special Administrative Region shall exercise procuratorial functions as vested by law, independently and free from any interference.

The system previously in force in Macao for appointment and removal of supporting members of the judiciary shall be maintained.

On the basis of the system previously operating in Macao, the Macao Special Administrative Region government shall make provisions for local lawyers and lawyers from outside Macao to practise in the Macao Special Administrative Region.

The Central People's Government shall assist or authorize the Macao Special Administrative Region government to make appropriate arrangements for reciprocal juridical assistance with foreign states.

#### V.

The Macao Special Administrative Region shall, according to law, ensure the rights and freedoms of the inhabitants and other persons in Macao as provided for by the laws previously in force in Macao, including freedom of the person, of speech, of the press, of assembly, of demonstration, of association (e.g., to form and join non-official associations), to form and join trade unions, of travel and movement, of choice of occupation and work, of strike, of religion and belief, of education and academic research, inviolability of the home and of communication, and the right to have access to law and court rights concerning the ownership of private property and of enterprises and their transfer and inheritance, and to obtain appropriate compensation for lawful deprivation paid without undue delay, freedom to marry and the right to form and raise a family freely.

The inhabitants and other persons in the Macao Special Administrative Region shall all be equal before the law, and shall be free from discrimination, irrespective of nationality, descent, sex, race, language, religion, political or ideological belief, educational level, economic status or social conditions.

The Macao Special Administrative Region shall protect, according to law, the interests of residents of Portuguese descent in Macao and shall respect their customs and cultural traditions.

Religious organizations and believers in the Macao Special Administrative Region may carry out activities as before for religious purposes and within the limits as prescribed by law, and may maintain relations with religious organizations and believers outside Macao. Schools, hospitals and charitable institutions attached to religious organizations may continue to operate as before. The relationship between religious organizations in the Macao Special Administrative Region and those in other parts of the People's Republic of China shall be based on the principles of non-subordination, non-interference and mutual respect.

## VI.

After the establishment of the Macao Special Administrative Region, public servants (including police) of Chinese nationality and Portuguese and other foreign nationalities previously serving in Macao may all remain in employment and continue their service with pay, allowances and benefits no less favorable than before. Those of the above-mentioned public servants who have retired after the establishment of the Macao Special Administrative Region shall, in accordance with regulations currently in force, be entitled to pensions and allowances on terms no less favorable than before, and irrespective of their nationality or place of residence.

The Macao Special Administrative Region may appoint Portuguese and other foreign nationals previously serving in the public service in Macao or currently holding permanent identity cards of the Macao Special Administrative Region to public posts (except certain principal official posts). The Macao Special Administrative Region may also invite Portuguese and other foreign nationals to serve as advisers or hold professional and technical posts. The Portuguese and other foreign nationals holding public posts in the Macao Special Administrative Region shall be employed only in their individual capacities and shall be responsible exclusively to the Macao Special Administrative Region.

The appointment and promotion of public servants shall be on the basis of qualifications, experience and ability. Macao's previous system of employment, discipline, promotion and normal rise in rank for the public service shall remain basically unchanged.

## VII.

The Macao Special Administrative Region shall on its own decide policies in the fields of culture, education, science and technology, such as policies regarding the languages of instruction (including Portuguese) and the system of academic qualifications and the recognition of academic degrees. All educational institutions may remain in operation and retain their autonomy. They may continue to recruit teaching and administrative staff and use teaching materials from outside Macao. Students shall enjoy freedom to pursue their education outside the Macao Special Administrative Region. The Macao Special Administrative Region shall protect cultural relics in Macao according to the law.

## VIII.

Subject to the principle that foreign affairs are the responsibility of the Central People's Government, the Macao Special Administrative Region may on its own, using the name "Macao, China", maintain and develop relations and conclude and implement agreements with states, regions and relevant international or regional organizations in the appropriate fields, such as the economy, trade, finance, shipping, communications, tourism, culture, science and technology and sports. [paragraph continues]

Representatives of the Macao Special Administrative Region Government may participate, as members of the delegations of the Government of the People's Republic of China, in international organizations or conferences in appropriate fields limited to states and affecting the Macao Special Administrative Region, or may attend in such other capacity as may be permitted by the Central People's Government and the organization or conference concerned, and may express their views in the name of "Macao, China". The Macao Special Administrative Region may, using the name "Macao, China", participate in international organizations and conferences not limited to states.

Representatives of the Macao Special Administrative Region government may participate, as members of delegations of the Government of the People's Republic of China, in negotiations conducted by the Central People's Government at the diplomatic level directly affecting the Macao Special Administrative Region.

The application to the Macao Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government, in accordance with the circumstances of each case and the needs of the Macao Special Administrative Region and after seeking the views of the Macao Special Administrative Region government. International agreements to which the People's Republic of China is not a party but which are implemented in Macao may remain implemented in the Macao Special Administrative Region. The Central People's Government shall, according to the circumstances and the needs, authorize or assist the Macao Special Administrative Region government to make appropriate arrangements for the application to the Macao Special Administrative Region of other relevant international agreements.

The Central People's Government shall, in accordance with the circumstances of each case and the needs of the Macao Special Administrative Region, take steps to ensure that the Macao Special Administrative Region shall continue to retain its status in an appropriate capacity in those international organizations of which the People's Republic of China is a member and in which Macao participates in one capacity or another. The Central People's Government shall, according to the circumstances and the needs, facilitate the continued participation of the Macao Special Administrative Region in an appropriate capacity in those international organizations in which Macao is a participant in one capacity or another, but of which the People's Republic of China is not a member.

Foreign consular and other official and semi-official missions may be established in the Macao Special Administrative Region with the approval of the Central People's Government. Consular and other official missions established in Macao by states which have established formal diplomatic relations with the People's Republic of China may be maintained. According to the circumstances of each case, consular and other official missions in Macao of states having no formal diplomatic relations with the People's Republic of China may either be maintained or changed to semi-official missions. States not recognized by the People's Republic of China can only establish non-governmental institutions.

The Republic of Portugal may establish a consulate-general in the Macao Special Administrative Region.

#### IX.

The following categories of persons shall have the right of abode in the Macao Special Administrative Region and be qualified to obtain permanent identity cards of the Macao Special Administrative Region.



-- The Chinese nationals who were born or who have ordinarily resided in Macao before or after the establishment of the Macao Special Administrative Region for a continuous period of 7 years or more, and persons of Chinese nationality born outside Macao of such Chinese nationals;

-- The Portuguese who were born in Macao or who have ordinarily resided in Macao before or after the establishment of the Macao Special Administrative Region for a continuous period of 7 years or more and who, in either case, have taken Macao as their place of permanent residence; and

-- The other persons who have ordinarily resided in Macao for a continuous period of 7 years or more and have taken Macao as their place of permanent residence before or after the establishment of the Macao Special Administrative Region, and persons under 18 years of age who were born of such persons in Macao before or after the establishment of the Macao Special Administrative Region.

The Central People's Government shall authorize the Macao Special Administrative Region government to issue, in accordance with the law, passports of the Macao Special Administrative Region of the People's Republic of China to all Chinese nationals who hold permanent identity cards of the Macao Special Administrative Region, and other travel documents of the Macao Special Administrative Region of the People's Republic of China to all other persons lawfully residing in the Macao Special Administrative Region.

The above passports and travel documents of the Macao Special Administrative Region shall be valid for all states and regions and shall record the holders' right to return to the Macao Special Administrative Region.

For the purpose of travelling to and from the Macao Special Administrative Region, inhabitants of the Macao Special Administrative Region may use travel documents issued by the Macao Special Administrative Region government, or by other competent authorities of the People's Republic of China, or of other states. Holders of permanent identity cards of the Macao Special Administrative Region may have this fact stated in their travel documents as evidence that the holders have the right of abode in the Macao Special Administrative Region.

Entry into the Macao Special Administrative Region by inhabitants of other parts of China shall be developed in an appropriate way.

The Macao Special Administrative Region may apply immigration controls on entry into, stay in and departure from the Macao Special Administrative Region by persons from foreign states and regions.

Unless restrained by law, holders of valid travel documents shall be free to leave the Macao Special Administrative Region without special authorization.

The Central People's Government shall assist or authorize the Macao Special Administrative Region government to negotiate and conclude visa abolition agreements with the states and regions concerned.

X.

The Macao Special Administrative Region shall decide its economic and trade policies on its own.

As a free port and a separate customs territory, it shall maintain and develop economic and trade relations with all states and regions and continue to participate in relevant international organizations and international trade agreements, such as the General Agreement on Tariffs and Trade and agreements regarding international trade in textiles. Export quotas, tariff preferences and other similar agreements obtained by the Macao Special Administrative Region shall be enjoyed exclusively by the Macao Special Administrative Region. The Macao Special Administrative Region shall have authority to issue its own certificates of origin for products manufactured locally, in accordance with prevailing rules of origin.

The Macao Special Administrative Region shall protect foreign investments in accordance with the law.

The Macao Special Administrative Region may, as necessary, establish official and semi-official economic and trade missions in foreign countries, reporting the establishment of such missions to the Central People's Government for the record.

#### XI.

After the establishment of the Macao Special Administrative Region, the monetary and financial systems previously practised in Macao shall remain basically unchanged. The Macao Special Administrative Region shall decide its monetary and financial policies of its own. It shall safeguard the free operation of the financial institutions and the free flow of capital within, into and out of the Macao Special Administrative Region. No exchange control policy shall be applied in the Macao Special Administrative Region.

The Macao pataca, as the legal tender of the Macao Special Administrative Region, shall continue to circulate and remain freely convertible. The authority to issue Macao currency shall be vested in the Macao Special Administrative Region government. The Macao Special Administrative Region government may authorize designated banks to perform or continue to perform the functions of its agents in the issuance of Macao currency. Macao currency bearing references inappropriate to the status of Macao as a special administrative region of the People's Republic of China shall be progressively replaced and withdrawn from circulation.

#### XII.

The Macao Special Administrative Region shall draw up on its own its budget and taxation policy. The Macao Special Administrative Region shall report its budgets and final accounts to the Central People's Government for the record. The Macao Special Administrative Region shall use its financial revenues exclusively for its own purposes and they shall not be handed over to the Central People's Government. The Central People's Government shall not levy taxes on the Macao Special Administrative Region.

#### XIII.

The Central People's Government shall be responsible for the defence of the Macao Special Administrative Region. The maintenance of public order in the Macao Special Administrative Region shall be the responsibility of the Macao Special Administrative Region government.

#### XIV.

Legal issues of land granted or decided upon before the establishment of the Macao Special Administrative Region and extending beyond 19 December 1999, and all rights in relation to such leases shall be recognized and protected according to law by the Macao Special Administrative Region. Land leases approved or renewed after the establishment

of the Macao Special Administrative Region shall be dealt with in accordance with the relevant land laws and policies of the Macao Special Administrative Region.

#### Annex II

##### Arrangements for the transitional period:

In order to ensure the effective implementation of the Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao and create appropriate conditions for the transfer of Government of Macao, the Government of the People's Republic of China and the Government of the Republic of Portugal have agreed to continue their friendly cooperation during the transitional period between the date of the entry into force of the joint declaration and 19 December 1999.

For this purpose, the Government of the People's Republic of China and the Government of the Republic of Portugal have agreed to set up a Sino-Portuguese Joint Liaison Group and a Sino-Portuguese Land Group in accordance with the provisions of Paragraphs 3, 4 and 5 of the joint declaration.

##### 1. Sino-Portuguese Joint Liaison Group:

1. The Joint Liaison Group shall be an organ for liaison, consultation and exchange of information between the two governments. It shall not interfere in the [words indistinct]:

(B) To exchange information and conduct consultations on matters relating to the transfer of government of Macao in 1999;

(C) To conduct consultations on actions to be taken by the two governments to enable the Macao Special Administrative Region to maintain and develop external economic, cultural and other relations;

(D) To exchange information and conduct consultations on other subjects as may be agreed by the two sides.

Matters on which there is disagreement in the Joint Liaison Group shall be referred to the two governments for solution through consultations.

3. [number as received] Each side shall designate a leader of ambassadorial rank and four other members of the group. Each side may also designate experts and supporting staff as required, whose number shall be determined through consultations.

4. The Joint Liaison Group shall be established on the entry into force of the joint declaration and shall start work within three months after its establishment. It shall meet in Beijing, Lisbon and Macao alternately in the first year of work. Thereafter, it shall have its principal work base in Macao. The Joint Liaison Group shall continue its work until 1 January 2000.

5. Members, experts and supporting staff of the Joint Liaison Group shall enjoy diplomatic privileges and immunities or such privileges and immunities as are compatible with their status.

6. The working and organizational procedures of the Joint Liaison Group shall be agreed between the two sides through consultations within the guidelines laid down in this annex. The work of the Joint Liaison Group shall remain confidential unless otherwise agreed.

II. Sino-Portuguese Land Group:

1. The two governments have agreed that, with effect from the entry into force of the joint declaration, land leases in Macao and related matters shall be dealt with in accordance with the following provisions:

(A) Leases of land granted previously by the Portuguese Macao Government that expire before 19 December 1999, except temporary leases and leases for special purposes, may, in accordance with the relevant laws and regulations currently in force, be extended for a period expiring not later than 19 December 2049, with a premium to be collected.

(B) From the entry into force of the joint declaration until 19 December 1999 and in accordance with the relevant laws and regulations currently in force, new leases of land may be granted by the Portuguese Macao Government for terms expiring not later than 19 December 2049, with a premium to be collected.

(C) The total amount of new land, including fields reclaimed from the sea and undeveloped land, to be granted under Section II, Paragraph 1 (B) of this annex shall be limited to 20 hectares a year. The land group may, on the basis of the proposals of the Portuguese Macao Government, examine any change in the above-mentioned quota and make decisions accordingly.

(D) From the entry into force of the joint declaration until 19 December 1999, all incomes obtained by the Portuguese Macao Government from granting new leases and renewing leases shall, after deduction of the average cost of land production, be shared equally between the Portuguese Macao Government and the future government of the Macao Special Administrative Region. All the income so obtained from land by the Portuguese Macao Government, including the amount of the above-mentioned deduction, shall be used for financing land development and public works in Macao. The Macao Special Administrative Region government's share of land income shall serve as a reserve fund of the government of the Macao Special Administrative Region and shall be deposited in banks incorporated in Macao and, if necessary, may be used by the Portuguese Macao Government for land development and public works in Macao during the transitional period with the endorsement of the Chinese side.

2. The Sino-Portuguese Land Group shall be an organ for handling land leases in Macao and related matters on behalf of the two governments.

3. The functions of the land group shall be:

(A) To conduct consultations on the implementation of Section II of this annex;

(B) To monitor the amount and terms of land granted, and division and use of income from land granted in accordance with the provisions of Section II, Paragraph 1 of this annex;

(C) To examine proposals of the Portuguese Macao Government for drawing on the Macao Special Administrative Region government's share of income from land and to make recommendations to the Chinese side for decision.

Matters on which there is disagreement in the land group shall be referred to the two governments for solution through consultations.



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4. Each side will designate three members of the land group. Each side may also designate experts and supporting staff as required, whose number shall be determined through consultations.

5. Upon the entry into force of the joint declaration, the land group shall be established and shall have its principal base in Macao. The land group shall continue its work until 19 December 1999.

6. Members, experts and supporting staff of the land group shall enjoy diplomatic privileges and immunities or other privileges and immunities as are compatible with their status.

7. The working and organizational procedures of the land group shall be agreed between the two sides through consultations within the guidelines laid down in this annex.

(To be exchanged between the two sides)

Memorandum

In connection with the Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao signed this day, the Government of the People's Republic of China declares:

The inhabitants in Macao who come under the provisions of the nationality law of the People's Republic of China, whether they are holders of the Portuguese travel or identity documents or not, have Chinese citizenship. Taking account of the historical background of Macao and its realities, the competent authorities of the Government of the People's Republic of China will permit Chinese nationals in Macao previously holding Portuguese travel documents to continue to use these documents for travelling to other states and regions after the establishment of the Macao Special Administrative Region. The above-mentioned Chinese nationals will not be entitled to Portuguese consular protection in the Macao Special Administrative Region and other parts of the People's Republic of China.

Memorandum

In connection with the Joint Declaration of the Government of the Republic of Portugal and the Government of the People's Republic of China on the Question of Macao signed this day, the Government of the Republic of Portugal declares:

In conformity with the Portuguese legislation, the inhabitants in Macao who, having Portuguese citizenship, are holders of a Portuguese passport on 19 December 1999 may continue to use it after this date. No person may acquire Portuguese citizenship as from 20 December 1999 by virtue of his or her connection with Macao.

**END OF**

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**DATE FILMED**

26 MARCH, 1987